

LEGISLATIVE ASSEMBLY OF MANITOBA

Tuesday, 2 April, 1985.

Time — 8:00 p.m.

INTERIM SUPPLY

MR. CHAIRMAN, P. EYLER: Committee to come to order. We are considering the resolution for Interim Supply. The Honourable Member for Virden.

MR. H. GRAHAM: Thank you, Mr. Chairman. I beg to move, seconded by the Honourable Member for Emerson that committee rise.

MOTION presented and defeated.

MR. CHAIRMAN: Are you ready for the question? The Member for St. Norbert.

MR. G. MERCIER: Mr. Chairman, I have a question for the Minister of Industry. Could the Minister of Industry advise the committee whether he has met with officials from Vicon with respect to locating in Manitoba?

MR. CHAIRMAN: The Minister of Culture.

HON. E. KOSTYRA: I wonder if the member would mind repeating the question?

MR. G. MERCIER: I was asking the Minister of Industry whether he could advise the committee if he had met with officials of Vicon with respect to locating in Manitoba?

HON. E. KOSTYRA: I have not met directly with officials from Vicon. Staff in my department have been meeting with them on a regular basis.

MR. G. MERCIER: Mr. Chairman, would the Minister explain or inform the committee as to the difficulties Vicon sees in locating in Manitoba? Why are they looking at other provinces instead of establishing in Manitoba? What are the problems that Vicon is having in locating in Manitoba?

HON. E. KOSTYRA: Mr. Chairman, the discussions are continuing with respect to that company and its decision on location. Until those discussions and negotiations are concluded, I don't believe I should get into any of the details, but we are dealing with that company. I would expect within the next short while, as I indicated in response to a question in the House, that company will be making its final decision with respect to its investment hopefully here in the Province of Manitoba.

MR. G. MERCIER: Mr. Chairman, could the Minister advise the House as to when he anticipates a decision to be made? Is there a deadline established for Vicon to make a decision on where it will locate its head office?

HON. E. KOSTYRA: I don't know if the company has established any deadline. I know they had hoped to come to a final conclusion some time ago. That was delayed because they did not conclude the discussions or negotiations they had with the union. I understand that it has been close to being concluded.

They also applied for assistance under the IRDP Program and were rejected by the Federal Government. They've since appealed that as I have with the Federal Minister of Regional Economic Development - in fact I'll be discussing that matter with him tomorrow when he comes to Manitoba - so I believe that has also resulted in some delay in them finalizing their decision.

MR. CHAIRMAN: The Member for La Verendrye.

MR. R. BANMAN: Thank you, Mr. Chairman. To the same Minister, I wonder if he could explain to the Legislature the rule that the MDC will be undertaking in the guarantees as well as future loans with regard to the program that the government announced the other day in providing funds as well as loan guarantees to industry.

HON. E. KOSTYRA: I'm sorry for the interruption, Mr. Chairman, but I've just been informed that for the first time in history, that the New Democratic Party has elected two members in the Province of Newfoundland.

In response to the question, the development agreements are being negotiated by the Department of Industry, Trade and Technology. The approval is directly by Executive Council, by Cabinet on each of the agreements and they have to be agreed to by Order-in-Council. They are administered under Part II of The Manitoba Development Corporation Act and, in essence, the Development Corporation is administering the loans in the same way as they are for Destination Manitoba, for example. So that is the role that the Manitoba Development Corporation is playing with respect to the development agreement loans.

MR. R. BANMAN: So the Minister is saying that it is under Part II of the act, which means the Executive Council is taking the responsibility for making the loans, as well as the board of directors and is in the position of administering the loan as such.

I would ask the Minister if it is the government's intention to use the existing capital that is available by MDC. In other words, I think there is some \$45 million or \$50 million worth of capital that was voted, or do they intend to vote additional capital with regard to that?

HON. E. KOSTYRA: No, we are not using existing Manitoba Development Authority Capital. It's Capital Authority that was voted for the Jobs Fund; that authority exists at present and there will be further requirements brought forward in this current Session for additional Capital Authority under the Manitoba Jobs Fund.

MR. CHAIRMAN: The Member for Emerson.

MR. A. DRIEDGER: Thank you, Mr. Chairman. I have some concerns that I'd like to express regarding Interim Supply and because a certain member hasn't been available for a few days, I'd like to maybe raise these questions with the Minister of Finance regarding the amount of monies that have been allocated to the Hog Stabilization Program, in terms of a loan. Maybe he can clarify these things. I have a few questions I'd like to raise along those lines.

In view of what has happened in the last week, where our neighbours to the south have put an import tariff on hogs entering the States to the tune of \$12 per hog, which virtually wipes out almost 40 percent of our hogs that are going Stateside at the present time; and since the announcement of the import tariff, the price has been dropping from 66 cents - something like that - down to, I believe, we're in the 60 cent range right now. That's only in a matter of a few days and this trend will apparently continue for a while.

The concern that I would want to express and raise with the Minister of Finance, a certain amount of money, I believe some \$7 million has been allocated for the Hog Stabilization Program. As this trend continues, where the prices will continue to drop, obviously, during this week and next week, because we have an extra 40 percent of the hogs on the market now on the Manitoba side, hogs that were going Stateside. With the stabilization price being at 74 cents and dropping down to under 60 cents possibly by the end of this week, there's going to be a major problem developing in the stabilization aspect of it because I think that fund was probably on the verge of being broke or will be broke in a very short period of time.

Is the Minister going to be bringing in additional funds to try and stabilize the hog industry, or what is the intent? The problem was there. Is there going to be action on behalf of this government in terms of trying to save the hog industry? This thing has been developing for weeks and we haven't heard a thing in this House from the Minister of Agriculture or from anybody else in terms of what is going to happen. I'd like to have the Minister of Finance indicate what their position is in terms of what they are going to do to try and save the hog industry because literally 30 percent of the hog operators are going to go broke and it's going to be in a short matter of time. I'd like to hear some comments from the Minister of Finance as to whether they are going to be stepping in as a province to try and help save the industry?

MR. CHAIRMAN: The Honourable Minister of Finance.

HON. V. SCHROEDER: Thank you, Mr. Chairman. I appreciate the concerns of the honourable member; we're quite concerned about that issue as well. At this stage we don't require a complete response. The tariffs were actually put on just - what is it? - a week ago now, I believe it was last Wednesday.

I should indicate to the member that the Minister of Agriculture will be in the House tomorrow and he'll have an opportunity to discuss it in further detail with him then.

MR. A. DRIEDGER: Well you know, aside from the fact that the Minister maybe hasn't been available for the

last week - supposedly in government business and I'll respect that - the problem is developing very rapidly. I think many of the people in the hog industry as well as other people, have seen the problem developing and we've heard nothing from the government in terms of what their position is. What are they doing with the thing? Because whether they like to accept the problem or admit that it's there - the Minister of Finance admitted there's a problem there - but what we want to know and what the hog producers want to know at this stage of the game is something more than just that the Minister is going to answer tomorrow.

I fully appreciate the fact that he'll be around tomorrow, but this thing is escalating at a dramatic scale, where there is 40 percent of our hogs that went Stateside for the last little while, are now being flooded on the Manitoba market with a tariff on there of approximately close to \$12 per hog. You know when we're talking of the Stabilization Program and the stabilization price is 74 cents a pound at the present time, and with the price dropping every day, that fund is going to be broke in a very short period of time.

What is this government going to do? Do they have any proposals? Do they have any plans at all? Certainly the Minister of Finance is the one that's going to be responsible in ultimately making a decision as to what is going to happen to the hog industry in Manitoba. We're talking within a short period of time, where 30 percent of these people are going to go broke - and there are many hog operators right now that under the Stabilization Program and it was in 1983 somewhere, a deadline in April or sometime in 1983 - where any hog operator that wanted to enter under the Stabilization Program had to enter. Anybody after that goes through a process of a year to get under the program. There are many operators out there that, for whatever reason, believe that there was a market they've built, made capital expenditures, dramatic expenditures, got them to the hog industry, that are now really strapped in a major problem.

I'd like to tell the Minister of Finance that yesterday morning, I met with 30 operators. Basically, a few guys were going to get together and the thing mushroomed. Within an hour, we had our Federal Minister of Health there, the Member for Provencher, Mr. Jake Epp, as well. It's a major concern. They are trying to cope with it somewhere along the line, but we haven't heard a thing from this government. Pleading ignorance or saying that the Minister is out of the House and that he'll deal with it tomorrow is not adequate. This thing has been developing over a long period of time. It's a long period. I'm talking about two-three weeks. But the signs were there for a long time.

What I'm asking and I'd like to have explained before the Estimates, the Interim Supply gets passed is what is the position that this government is going to take in terms of dealing with this thing? We're talking of a dramatic major impact. Maybe members don't realize what's happening out there, but it's going to be a dramatic impact. I'd like to know before we pass this, that in the Estimates, we're looking at \$7.2 million or something like that for the Hog Stabilization Program. That is a drop in the bucket at that stage of the game. I know the Minister of Finance is going to say well, the Minister of Agriculture is going to deal with it.

The Minister of Agriculture cannot deal with it. I want to know what the Minister of Finance, how he's going

to deal with that aspect of it, because it is of major proportions.

HON. V. SCHROEDER: Mr. Chairman, certainly the member has a legitimate concern, but let's keep in mind before we get too partisan about the issue because we can certainly get into that if the Member for Morris wants to and the Member for Emerson hasn't been. I appreciate the fact that it's an important issue out there in the rural community. I'm aware that hog farmers are very concerned and they are indeed meeting with the Minister. The Minister is out there discussing things with them.

I ask for some understanding. Since the tariffs were imposed, there have been no Cabinet meetings. This government operates on the basis that we don't go around making individual commitments out there with respect to anything that might happen without having had a thorough discussion in Cabinet, and that may take several weeks. As I understand it, we do have certainly that length of time and probably longer in order to respond.

So, again, the Minister of Agriculture will be here tomorrow. The Member for Emerson will have the opportunity and I would hope he would make use of that opportunity to discuss the issue and let the Minister of Agriculture know any specific concerns he might have tomorrow.

MR. CHAIRMAN: The Minister of Culture.

HON. E. KOSTYRA: Thank you, Mr. Chairman, if I could just add to what Minister of Finance has indicated. This government has taken considerable action in terms of the red meat industry in the Province of Manitoba both in terms of the producers, in terms of the stabilization programs that have been put in place with respect to beef and with respect to hogs.

We've also looked at and worked very closely with the meat packing industry in the province. We've been successful in terms of discussions and have averted potential closure of meat packing firms here in the province, both in terms of Canada Packers and in terms of Burns Meats in Brandon. In fact, things have stabilized to the point that Burns Meats are moving their meat headquarters from Alberta to Manitoba. In fact, that just took place within the last few days, Mr. Chairman.

In terms of the unfortunate embargo that has been placed by the United States, action has been taken both by the Minister of Agriculture - he has raised concerns with respect to this latest action with his federal counterpart - I have also raised concerns with my federal counterpart, the Minister of International Trade indicating our concern with the increased protectionist measures taken by the United States; and it's quite unfortunate that this has taken place at a time when there seems to be the possibility of improved relationships between Canada and the United States, where there is a move by this present Federal Government to enhance and to ensure market access to the United States to our major trading partner for Canadian producers, Canadian exporters; so it's quite unfortunate that this retaliatory action, because of one aberration, in terms of the movement of hogs arising

out of the strike situation last summer, which was an aberration, which wasn't the normal course of events in terms of export of hogs to the United States.

It's unfortunate that there has been this push and these measures by some of the people in the United States. But in terms of the Minister of Agriculture, in terms of this government, to suggest that there hasn't been any action is incorrect. We have been aware of this problem; representations have been made to the Federal Minister of Agriculture, to the Federal Minister of Trade. Indeed, staff of the Department of Agriculture are at this moment in Ottawa with industry representatives and the Federal Government looking at ways to overcome this problem; so this government has been taking action with respect to that.

We have been aware of it and we are dealing with it and attempting to have that embargo appealed and, hopefully, successfully appealed.

MR. A. DRIEDGER: Mr. Chairman, I appreciate the statements from the Minister of Cultural Affairs indicating that they have concerns and expressed their concerns. I've had that happen to me for the last week already by the hog producers coming in and expressing concern.

If the Minister is indicating that this government, and unfortunately because of government business, the Minister of Agriculture has not been available in this House for questioning on some of these matters and so we haven't been able to bring that issue forward. If the Minister of Culture or the Minister of Finance is indicating that they have expressed their concern, what I would like to ask the Minister is, when you're dealing with the Federal Minister, and your people are out there right now, what are they proposing? Do they have some alternatives that they're bringing forward? What are we looking at, in terms of solutions?

As far as concerns are expressed, every hog producer right now is expressing concern and I'm expressing concern right now. What we're looking for from this government is do you have some answers? Do you have some alternatives that we can pursue or what are you proposing to the Federal Minister when you're meeting with him, because this is on a major scale here. I wonder if the Minister could at the same time then what are the proposals that you're forwarding at this time?

HON. E. KOSTYRA: The most important solution is to have removal of those embargoes. That is what we are pressing the Federal Government to raise and to resolve with the United States Government and agencies.

MR. A. DRIEDGER: I would just like to maybe draw a bit of a picture. What has happened is that under the national scale with subsidized programs that have developed in Quebec and Ontario, 25 to 30 percent of their hogs have developed the self-sufficiency, where we used to have a market in Quebec for Manitoba, with their subsidized programs where they look at 4 percent interest in some cases; and the stabilization and subsidized programs that they have, the hog industry has developed from - it's more than triple - I think it's seven times what it used to be in a short period of time and now these hogs are going Stateside.

The biggest objection that the Americans have at this stage of the game is the fact that we are shipping subsidized beef and competing with their market which they claim is not subsidized.

We can say we're expressing a concern to the Federal Minister, it isn't adequate. What I'd like to know is this government, our Provincial Government, based on the problem that is developing and getting more major every day, is this government prepared to continue putting money into this Stabilization Program? Do you have any proposals? Because when we look at what's going to be happening on the national scale, we're looking at 3, 4, 5, 6 months, maybe a year before this situation will be dealt with. Is there any intention or any hope that this Provincial Government is going to try and, maybe not bail out, but try and help stabilize the hog industry in Manitoba in the interim?

Within three or four months, you won't have to worry about it. The thing will correct itself because 30 percent of our hog farmers that have major capitalization, MACC, FCC, can be running their own realty at that stage of the game because many of these fellows are going to be broke. To say that we've expressed a concern to the Federal Minister, in itself is fine. We've done that to our counterparts at the federal level. What we need is something that is going to do something in the interim to just try and save the industry.

We're talking of 30 percent of the hog producers going belly-up at this stage of the game. Members of government, you must have realized what was happening. It's here right now.

I'd like to ask the Minister of Finance again if he is prepared to put more money into this Stabilization Program, because the thing will be broke within 60 days. Is the Minister of Finance prepared to put additional money into that to save some of the young farmers that are in the hog industry right now? If this government says no, we're not going to do anything, we'll express a concern to our federal counterparts, and that's all that is going to happen, that's fine. Then, we know where we're at. The hog farmers right now have been waiting for the Minister of Agriculture to make some kind of statement and position on this thing.

I ask the Minister of Finance again, under the circumstances that are there right now in front of our feet, is he prepared to look and maybe bring additional requirement for funds? What is his position? Is he prepared to take a stand on saving the hog farmers of Manitoba at this stage of the game?

MR. CHAIRMAN: The Honourable Minister of Finance.

HON. V. SCHROEDER: Mr. Chairman, I've indicated very clearly that we have a Minister of Agriculture who is out there listening to the farmers, trying to find out exactly what kind of solutions fit into the things we have available here, trying to work with the agricultural community. Our record speaks for itself in terms of coming to the rescue of the agricultural community. The Hog Stabilization Program itself is an NDP Program. The Beef Stabilization Program is an NDP Program. The Interest Rate Relief Program is an NDP Program where we helped more than 1,000 — (Interjection) — Well, the Member for Morris says that it makes welfare cases out of farmers. You see, here we have the Member

for Emerson saying - and he's sincere, he's concerned about the farmers in his riding; he doesn't say it's welfare when we provide assistance under those kinds of plans. The Member for Morris might think that it's welfare. We don't on this side, but the Member for Morris does. I think that's shameful.

We're out there looking at what best we can do. We've introduced the Interest Rate Reduction Program, where people who had fixed rate mortgages with MACC were entitled to rewrite those mortgages at new interest rates. That was at a cost of many millions of dollars, but it saved a lot of farmers who were in difficulty. We've introduced the \$20 million loan program at 9.75 percent at a time when the federal counterparts of the Progressive Conservative Party have loan rates of 13.5, 13.75 percent; so all of those things have been done. They speak for themselves. That may not mean that is enough for the particular problem the Member for Emerson has raised this evening.

We're all concerned excepting for, of course, the Member for Morris about that problem, but let's not . . . well, when the Member for Morris sits there at his seat and mumbles that it's welfare, when we pay on the Interest Rate Relief Program to help more than a thousand farmers and he says we're putting them on welfare.

MR. C. MANNESS: I never said on Interest Rate Relief. Get your facts straight, Vic.

HON. V. SCHROEDER: That's exactly what you said. Don't sit there now and try to deny what you said. People here can hear you. People across this House could hear you.

We will look at problems as they come up; we will talk with the agricultural community as the Minister of Agriculture is currently doing and when we determine our course of action we will let the Member for Emerson know it. Meanwhile, we'd be glad to hear his input, in terms of what solution he might propose.

MR. A. DRIEDGER: I don't want to allow the Minister of Finance to get sidetracked on the things that have happened before. We'll debate the policies that they've had regarding the agricultural community; but when he says that the Minister of Agriculture is out there dealing with the problem right now, I have to question that, because the Minister of Agriculture has been in the area where there's no hogs being raised.

He should be in the southeast area where the major problem has been developing. I don't know what the Minister of Agriculture has been doing but I would want the Minister of Finance to raise this with the Minister of Agriculture that we can deal with this because we'll be debating this Interim Supply tomorrow again, but it isn't that easily put aside.

This is a unique situation that has developed over a short period of time and I think anybody who has looked into it, it happened relatively suddenly; but if the Minister of Agriculture has any feeling for the agricultural community, he must have realized what was coming. I put the question again and I'll raise it again tomorrow when the Minister of Agriculture is here.

A MEMBER: Will he be here tomorrow?

MR. A. DRIEDGER: Yes, he will be here. I have that undertaking that he will be here, but I want him to indicate to this House what action he has taken, what his proposals are in terms of saving the hog industry because our time frame is very short. We're not talking of a six-month time period here. We're talking of a very short period because the Stabilization Program is going to be bankrupt and that's going to affect . . . and the prices are dropping. I don't know whether the Minister of Finance realizes what has happened to the price structure since the announcement came a week ago - or less than a week ago - the prices have already dropped almost 10 cents a pound and we're looking at maybe them dropping close to another 10 cents a pound.

It is a major problem and I will leave it at that at this stage of the game providing I have the undertaking from the Minister of Finance that the Minister of Agriculture tomorrow will be able to give us some idea as to what his proposals are, that they've got people lobbying in Ottawa right now. We'd like to know what their position is. Is it a position that the hog people can live with? We have had no undertaking; we've just had the indication that people from the government side are in Ottawa, are lobbying with the Minister of Agriculture - or whoever they're lobbying with.

We'd like to be more specific as to exactly what is happening because our time frame is very short. I hope the Minister of Finance can indicate that they will outline what their position as a province is and what they intend to do with this thing.

HON. V. SCHROEDER: Mr. Chairman, we make it very clear. First of all, it is my understanding that the Minister of Agriculture will be here tomorrow. I am not making any undertaking that he will be here tomorrow, No. 1.

No. 2, certainly I am not making any kind of undertaking that the Minister of Agriculture will tomorrow have the answers to a problem that is very serious and could have some long-term consequences and he may well have been in the wrong part of the province for part of the week, in terms of — (Interjection) — for the farmers, that's a fair comment. There are other farmers who have difficulty as well.

Mr. Chairman, the meetings had been arranged some time in advance and he will be taking up the issues as they come along; and when he takes a solution to Cabinet, Cabinet will take a look at it. Once Cabinet has agreed to a solution, the Minister of Agriculture will let you know, but in the meantime, certainly, we're interested in any specific input you might have.

MR. CHAIRMAN: The Member for Roblin-Russell.

MR. W. MCKENZIE: Thank you, Mr. Chairman. I have a question that was raised with the Minister of Agriculture some time ago and I raised it with the First Minister last week regarding the unleaded purple fuel in the province.

A number of people have purchased trucks that burn unleaded fuel and they're unable to purchase the purple unleaded fuel. The ones that I've spoken with have been unsuccessful in their efforts to get fuel suppliers to provide the service. The companies claim that by supplying the purple coloured fuel would be too costly,

but regardless of that, the farmers will be penalized by being forced to pay the additional tax at a time when - such as the hog producers here - those that have those types of vehicles have enough problems.

I wonder if maybe the Minister of Finance can give some indication of how the government's prepared to deal with it. It used to be that they dyed the fuel for themselves but that practice, I think, was ruled out because there were some abuses to that system; but I was wondering, maybe the Minister could help me to give some answers to the people that are phoning.

MR. CHAIRMAN: The Minister of Finance.

HON. V. SCHROEDER: I'm afraid I can't at this time. It is an issue that does concern us. That's one part of the whole question of - well, it's a different part, but there's many farmers also contacting us with respect to having to pay practically as much for purple fuel as for taxed fuel these days in some areas of the province. We've looked at a number of ways to try to deal with it.

This particular problem - it's very difficult to come along and tell an oil company, you've got to have this particular product, we're going to tell you what to sell. We then wind up with all kinds of other difficulties. I don't have an answer for the member tonight. The branch that looks after gasoline tax is reviewing the problem to determine whether there is some solution we can come up with.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNES: Thank you, Mr. Chairman. I notice the Minister of Finance is very testy the last couple of days. It started yesterday when the announcement was made with respect to the transfer payments. It was very noticeable that he was very concerned with respect to, I suppose, the losing of an election issue from the viewpoint of the NDP.

I suppose his dismay of yesterday was only surpassed by his total dismay today when he heard about the latest Mason poll which showed the Conservative support solidly over 50 percent for a year now; so I can understand why the Minister of Finance is so testy at this particular point in time.

Mr. Chairman, I'd like to pose a few questions to the Minister of Finance if I could. It's with respect to the revenue and my questions may allow the Minister of Finance to move into some areas that he probably will be glad to discuss; but nevertheless I'd like to move into some areas with regard to the revenue projected.

I see that for '85-'86 that the government has proposed income tax collection revenues of some \$782 million. I didn't really react to that figure one way or the other. I do remember the reference the Minister of Finance made within the Budget speech, where he indicated his concern with the tax system that isn't bringing forward the necessary revenues and I took that for what it was worth. However, just the other day, I saw the Minister of Finance, federally, Michael Wilson, make almost the same comment.

My question to the Minister of Finance, Mr. Chairman, does the revenue projection of some \$780-plus million - does that take into account the forecasts of falling

revenue, taxation revenue directly, in a manner that recognizes this so-called falling revenue without reference to the reason at this time? I'm wondering if it takes fully into account that pessimism that seems to be shared by the Federal Minister of Finance with respect to revenue.

MR. CHAIRMAN: The Minister of Finance.

HON. V. SCHROEDER: Thank you, Mr. Chairman. Just before I get into that, I want the Member for Morris to know that, in my view, yesterday was not a bad day for Manitoba when it comes to 1985-86. We were quite happy to receive better than two-thirds of what we had been asking for and it took us quite some time to get the provincial opposition, which had been kicking and screaming and some of their hacks were writing letters to editors and so on, saying we shouldn't get any money and they were having news conferences opposing us and so on. But by last fall the heat was coming on and they had to come on board.

We were fighting that fight for a three-year period and just a couple of days ago your House Leader was saying in the House that we had arrived at some agreement with the Liberals in 1982, totally factually and historically incorrect, which one could document. So let's make it clear that that was a hard fought fight which was partaken of by many Manitobans before the Conservative Opposition came on board and those people worked hard. There were a lot of letters written to Ottawa and so on by many hundreds of Manitobans. That was a good fight fought for Manitobans.

We have another fight to fight for next year because after you take all the rhetoric away for next year, according to the latest numbers, instead of the \$519 million in equalization, which the opposition and we agree would be fair treatment for Manitoba, we're looking at somewhere under \$440 million in equalization payments, a very serious drop from where we were last year - another more than \$20 million drop next year. There's not a \$60 million increase that some would have you believe. There's a drop for next year.

A MEMBER: Well, you should be happy next year.

HON. V. SCHROEDER: Well I'm not sure that one should be terribly happy when we will be the only province experiencing, according to the numbers that are now there, a year-over-year drop in 1986-87. And if the opposition says that that's fair, then I'd like to hear them put that on the record. We don't think that's fair. They didn't think it was fair a couple of months ago. They thought we should have more than \$80 million more next year than what we are now being told by their federal counterparts we will get. So let's not say that somehow that issue is gone; it's not gone.

The Member for Morris also referred to the poll. Well, I guess it's nice that we have polls where everybody can take some comfort. Those are the kinds of polls one should have more often. The fact of the matter is, we've gone up by 9 points, and ever since the Tories got their brand new leader, they've been going down. That's right, they've been going down and we agree that a year ago we were in big trouble.

A MEMBER: You still are.

HON. V. SCHROEDER: No, I don't think we are. I think we're in a position where in fact the Tory polls in 1981 probably indicated that we were in about the same position roughly as we are right now and we won big. We are within — (Interjection) — Well the Member for St. Norbert says no they weren't. You know, we had some polls in 1981, I was mentioning to the Member for Minnedosa, I couldn't understand the logic in 1981 but that was an issue for you. But we've been going up dramatically and you people have been going down. Now that has to be good news for us and that's why we're smiling.

Now, thirdly the Member for Morris talks about taxation revenues. Taxation revenue is a very serious problem, not only in Manitoba, it's across this country and as the member mentions, the Federal Finance Minister refers to the drop in revenues as being puzzling because the economy has performed better than expected and so on.

Well last year - I don't have the exact numbers here - but last year I believe we budgeted for personal income tax revenues of roughly \$810 million. For 1985-86 we're budgeting for - the member says \$780 million. That's pretty significant and what we're doing - we don't have the reasons. We do not have the reasons. We have, historically, always used the numbers given to us at the latest available information from Federal Finance.

The latest information from Federal Finance at the time we presented the Budget indicated that the number we printed is the number they were telling us to expect for 1985-86. We never changed those numbers. There are basically four numbers that are totally arrived at by the Federal Government. There's personal income tax, corporate income tax, equalization and established program financing and also Canada Assistance Plan, so I don't have the answer.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNES: Well, Mr. Chairman, I would ask the Minister of Finance what dialogue he's prepared to enter into with the Minister of Finance, because obviously we have a very troublesome situation here if revenues are dropping. I mean, there must be some reason for it. There has to be some analysis that would allow an answer to why this is occurring, and surely a Provincial Finance Minister just can't sit there for a whole year at the mercy of an economy that's beginning to stagnate in some sense, but is rolling up taxation figures which may end up being some type of brutal surprise. So I ask the Minister of Finance whether he's going to enter into some major dialogue with the Federal Minister to try and determine what the reasons are for this so-called shortcoming of revenue during a time of some type of increase in economic activity.

HON. V. SCHROEDER: Mr. Chairman, we have been asking for a review. In fact, on Budget night I was indicating that the last time we'd done a decent review of the income tax system was by the Carter Commission appointed by the Diefenbaker Government back in 1962 or 1963 and it took another decade to get some tax reform. We're suggesting that there has to be something done.

I should say that revenues are not dropping year-over-year because that could be misinterpreted. For

last year, if we were at \$810 million - and I believe we were roughly there - you take about \$90 million off that because that's how much our revenues approximately have dropped during the year. So that would make it somewhere around \$720 million for 1984-85 and we're now predicting \$780 million for 1985-86.

In fact, all of the Finance Ministers at our last meeting were discussing ways of ensuring that there would be greater amounts of revenues available and one of the areas that was discussed by certainly a majority of Finance Ministers for suggestions for where to get more money was the area of tax expenditures, and. A partial list of what was discussed included the PIP grants, included MURBs, it included . . . obviously the scientific research tax credit which had the unanimous opposition of Finance Ministers. There was one that I think deserved some consideration put forward by another Minister, and that was \$1,000 interest income deduction.

Overall, the tax expenditures, some of them are more beneficial to people than others, but overall they account for \$50 billion. Keep in mind that we have federal expenditures of about \$105 billion to \$110 billion. The tax expenditure side is a very very important component of why it is that our revenues aren't keeping up.

Just putting it from a different perspective, if you took net revenue at the bottom of Page 1 of your tax return, that's after all the legitimate business deductions and so on, 1 percent of that amounts to - did amount to a few years ago in Manitoba - just over \$100 million. By the time you get to Page 4 of an income tax return in Manitoba, you're down to \$13 million. Now, a lot of those items are items that are very dear to people. There's everything from personal deductions, to pensions, to child care expenditures, and so on. There are also a whole host of other items that are far more questionable and are never basically looked at by Parliament. Parliament goes through its expenditure proposals, or the government does, item by item and agonizes over them and misses that whole area year after year. That's certainly not an attack on the current government, and indeed Mr. Wilson has indicated that he's very seriously looking at some of those areas for the coming year.

MR. C. MANNES: Mr. Chairman, I'd like to move back to the discussion that revolved around the transfer payments in early January. To me, this government did something that was totally inexcusable, particularly within the area of education, when educational leaders, trustees and teachers and other educational people were called into the Minister of Education's office and informed as to the support that school divisions would receive through the next coming year, and then were told at that time, that that was a conditional 2 percent increase.

Mr. Chairman, once I have a better opportunity through the Estimates process, I will heap large amounts of scorn upon the Minister of Education. This time, I have an opportunity to do so to the Minister of Finance for bringing people in and asking them to lobby and if they had chosen not to at that time - this was early January and I understand some firmer decision was made by the Minister of Finance maybe a month or so after that - but at that time, this government had the audacity to call into their offices various public

figures in this province - and I refer specifically to those within education - and tell them if they didn't move onto the bandwagon lobbying effect to Ottawa and to try and convince Ottawa to increase transfer payments that, in fact, the 2 percent increase in support that was sort of offered to them might be withdrawn.

Mr. Chairman, this at the time did not receive — (Interjection) — Well, we have the Member for Thompson calling it a silly argument. Maybe I should read out what was said in the letter by the Minister of Education to all school divisions, and I quote:

"I must caution you that increased funding may be affected by our current negotiations with the Federal Government on transfer payments." This is after she said, "A 2 percent increase was coming to all school divisions. As you are probably aware, Manitoba may experience a shortfall in revenue if the province does not receive \$72 million in equalization payments from the Federal Government for the '85-86 fiscal year. If this revenue shortfall occurs, the government may have to reconsider funding decisions in relation to the management of the provincial debt."

Mr. Chairman, since when do we now have conditional grants being offered to people in the sense that if they don't move along a political course set by this government, that there may be no grants whatsoever coming? Of course, since that time, the Minister of Finance and the Cabinet realized the error of their ways, and just a month ago, hurriedly put out the word to school divisions and school administrators that the 2 percent increase across all school divisions would be guaranteed.

My question is to the Minister of Finance. How could he and the government have the audacity to bring in educators in this province and lay this before them, that either they support the government in this cause or receive no increase?

HON. V. SCHROEDER: It is absolutely totally false that anyone who came along with us on that trip to Ottawa was told anything of the kind that the Member for Morris suggests. Every single one of the people who went to Ottawa with us went of their own accord, voluntarily, without any kind of threat about withdrawal of funding to them if they didn't . . .

MR. C. MANNES: It's in a letter by your Minister of Education.

HON. V. SCHROEDER: That is an absolute and unqualified falsehood, absolute and unqualified.

Now, there was a letter sent — (Interjection) — Well, Mr. Chairman, we contacted a cross section of Manitobans who were in the front lines in terms of the delivery of things such as Health, Education, Community Services, and we asked them to speak for us. They did so most eloquently. I believe that was the best investment Manitoba taxpayers have ever been . . . For a matter of several thousands of dollars, we ensured that we would receive for the coming year, \$50 million.

I have no doubt, no doubt whatsoever, that the single most important act in terms of winning the fight for that money for Manitoba was that trip to Ottawa, that meeting with the Minister of Finance, that meeting with the Minister from Manitoba, Mr. Epp, where they heard

- also the Progressive Conservative caucus from Manitoba, that was a separate meeting which I do not believe had one-tenth of the impact that the meeting had where we had people from the Social Planning Council telling politicians exactly what the flesh and blood . . .

MR. CHAIRMAN: Order please, order please.

HON. V. SCHROEDER: We had a representative of the Social Planning Council telling those people what the flesh-and-blood results to ordinary Manitobans would be of that kind of a cut. We had people telling them what would happen with respect to rural hospitals if there was any further squeezing. That's what people were telling our elected politicians and they responded as we knew they would.

Now, the member refers to us first saying, well, this is what we'll do if we get the money and we will do something else if we don't. I think it would be highly irresponsible to come along and say that no matter what, here's what we're going to spend, until we have a good idea as to what we're going to get.

Well, Mr. Chairman, we didn't do it . . .

MR. D. ORCHARD: You did so.

MR. CHAIRMAN: Order please.

HON. V. SCHROEDER: The Member for Pembina would, of course, not understand, not want to understand, and his predictions come true — (Interjection) — you know, a couple of years ago, this is the fine prophet who predicted that you could bet your bottom dollar that our 1983-84 deficit would be more than \$750 million dollars and it came in at more than \$300 million less than that wise soul predicted; and here he is chirping away again.

On Budget night we knew that we were going to be receiving at least a portion. We thought we would get our fair share, which would have been the \$72 million. We don't know today - as the Member for Morris knows - that we're going to get \$780 million in income taxes; we don't know that. We're budgeting for that.

MR. C. MANNES: I didn't say you were going to.

MR. CHAIRMAN: Order please.

HON. V. SCHROEDER: We don't know that we're going to get the EPF revenues we've budgeted for. We don't know that we will get the Equalization . . . yes, the Equalization now we know what we're going to get. We don't know what our sales tax revenue will be. We budget at our best guess and sometimes we're up and sometimes we're down; and those people over there are no better at predicting, certainly than we are, certainly no better than we are.

We're going to be out occasionally. We've been out on both sides. We've been up, we've been down and it will happen again in the future, but when we sent those letters out to the educational institutions and so on, we had no idea whether we were going to get it or not. That meeting on, I believe, January 24th, when we had those public-spirited Manitobans coming

voluntarily to Ottawa with us talking with our representatives from all three political parties, that ensured that we were going to get something and we were told that there would be serious review of our problem. There was an understanding of that problem and people delivered.

What the provincial Conservatives don't seem to realize is that if we wouldn't have been able to get them off of their complaining last fall - and it was just last fall, last October, the Leader of the Opposition was saying we should stop the grandstanding and just figure out how to deal with the loss. That's what he was saying then. He said it doesn't matter that it's not fair to Manitoba. Just ignore it. That's what we'd have gotten had he been Premier; we'd have gotten nothing. We'd have gotten absolutely nothing.

So I think we did the best possible thing for Manitoba by putting what we put into the Budget. If we had put \$50 million in, and you were the Federal Finance Minister, what would you have put in yours? Mr. Chairman, we were expecting fair treatment and we were just a bit short of fair but we certainly got a lot better treatment than we got from the previous Liberal government. — (Interjection) —

Here we have that little yahoo, that little yahoo from Pembina who hasn't learned enough manners yet to keep his little mouth shut when other people are speaking.

MR. CHAIRMAN: Order please, order please. Order please.

The Member for Pembina will have his opportunity to speak. The Minister of Finance.

HON. V. SCHROEDER: If you could keep him quiet, then maybe . . .

MR. CHAIRMAN: Order please.

HON. V. SCHROEDER: I don't think he is parliamentary, Albert. I think that he is very unparliamentary, very undignified, very unflattering to your caucus, but that's not our fault. He's sitting there anyway.

A MEMBER: It's not our problem.

HON. V. SCHROEDER: That's true; it's not our problem.

A MEMBER: What would you guys want to give to have him?

HON. V. SCHROEDER: I'll tell you what. If we still had Russ we might consider a trade.

Mr. Chairman, I just want to emphasize again, there was no such thing as the Manitoba Government or anyone from this government suggesting to anyone that if they didn't come to Ottawa with us that something would happen to them. There was a telephone call made, indeed from my office, asking people, a group of people, whether they were prepared to come with us. We explained to them what we were planning to do and they agreed . . . pardon me?

A MEMBER: Did you pay the expenses?

HON. V. SCHROEDER: Absolutely. The Province of Manitoba, the taxpayers of Manitoba paid the expenses.

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There were several thousands of dollars. We got \$50 million. That's the best return on investment we've ever had in the history of this province I believe, a very good investment; we're proud of it.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNES: Thank you, Mr. Chairman. A final statement. Mr. Chairman, those of us on this side take great pleasure in the announcement that was made yesterday. As a matter of fact, we feel that due to our colleague, the Member for Turtle Mountain, we're basically responsible for receiving this money mainly due to a very articulate and very professional written letter and all the different communications that were conducted by members on this side with our colleagues in the Federal House; so we're very happy with the announcement made yesterday.

I would hope that the government would join us, in spite of the fact they feel they've lost a major election issue, Mr. Chairman, I might add.

The Minister chooses not to answer my question. My concern - and I can't prove it - but it comes from a reliable source, somebody who was in attendance with the Minister of Education early in January when she was pleading to people that were there and trying to convince them that those people that were involved with education should begin a campaign to lobby the Federal Government. Those were her words specifically and of course she indicated that our party was in support of the NDP position on this issue and that it was very important that everybody in education not sit back.

Of course, her final comment was that if you do, then you can't be certain that this so-called 2 percent increase that we've offered is coming your way. Now obviously that must be the truth, Mr. Chairman, because just a month or six weeks ago, unless the Minister of Finance had inside information from Ottawa saying that this government and this province was going to receive these monies, the word was moved out very quickly to the school divisions that, in effect, this was not a conditional grant, that they can count on the 2 percent regardless of the amount of increase and transfer of federal monies.

So this Minister can't have it both ways, Mr. Chairman. I'm saying and I submit that the conditional offer was made on the condition that people come forward and support the lobby effort and then this government saw the errors in their ways and saw how politically dangerous it could be and how politically dangerous it could be to blackmail people in a fashion, that they either join the cause or they not receive the funds; and they realized the error of their ways and they moved the word out quickly to school divisions and administrators that, in effect, they would receive the 2 percent without strings attached.

Mr. Chairman, I would ask the Minister of Finance to acknowledge what I say is true or tell us whether he had prior warning some six weeks ago that in effect, this money was coming down.

HON. V. SCHROEDER: I had good indications from Federal Ministers, several Ministers that there would be money coming six weeks ago. We didn't have that

in January and when we said in January that it was conditional, we had to do that; and certainly there was no suggestion that if you don't lobby, you don't get the money.

MR. C. MANNES: Oh yes, there was.

HON. V. SCHROEDER: Oh no, there wasn't. There was no such suggestion.

MR. C. MANNES: Made by your Minister of Education.

HON. V. SCHROEDER: Well the Minister of course can speak for herself, but I don't believe that she would have ever made any kind of suggestion like that, other than to possibly say that if we don't get the money we've got ourselves a bit of a problem. But members opposite would like to have the public believe that somehow they had a significant role to play in what happened.

You know let's get the history of it a little bit straight. We had Mr. Ransom announcing last fall that we'd gotten too much out of equalization. Then there were a couple of flurries of news conferences and so on. He met with the Chamber of Commerce. The Chamber of Commerce thereafter put out a position paper saying that they were opposed to our position.

We had a discussion - the Premier and I had a discussion - with the people from the Chamber of Commerce who came in and told us that they had been wrong; they had misunderstood; that they had thought there was something different happening after they had discussed it with the Opposition Critic. And there was a lot of heat at the end of November. I met with Mr. Wilson and so on. There were discussions and so on and gradually Mr. Filmon got himself on a hook so far that he required Mr. Ransom to come forward and get him off of it. He was grandstanding, is what Mr. Filmon was doing, not Mr. Ransom. Mr. Ransom's position had been clear throughout. Read the record. Read what he was saying at press conferences; read newspapers, and so on.

Suddenly the party turned around and said, oh well, maybe we can co-operate. We'd been asking for that for a long time. Mr. Filmon was telling the press continuously - and it wasn't just once, it was a number of times - he was telling the press - well they agreed to it in 1982. What's the matter with them? They agreed to it. They signed the deal. That was a complete mistruth. It was completely against what had happened, and completely against what had happened in history, and indeed, I recall the incident very well, I met with a reporter in December. He was surprised when I told him there was no agreement and indeed that we had basically said no to Mr. MacEachen, an attempt at blackmailing us into approving the equalization deal by topping up our population adjustment payments for 1981-82 in 1982-83. And I made that telegram of Mr. MacEachen's public. I made our reply the next day public, saying basically no way, we're not doing that. We're not going to have you play that kind of game with Manitoba.

Later on that spring I went to Ottawa and spoke to the Parliamentary Committee on Finance and put

Manitoba's position opposing the new formula on the record. That new formula was passed very shortly thereafter, although there was an attempt to amend it, made by Mr. Epp and Mr. Blaikie, Manitoba MPs, who both worked together at that time and that amendment, of course, was defeated and so what happened was we had an equalization formula forced on us by a Federal Government, which was opposed by practically every member of Parliament from this province, every member in the Conservative and New Democratic Parties. Every one of them opposed it; we opposed it; and yet, Mr. Filmon was attempting to rewrite history as late as December, telling reporters time after time, that we'd signed the agreement, why are you complaining? That was completely untrue and I believe Mr. Ransom was embarrassed about that because he knew that that was not true. But eventually it wound up being he who had to come along with us because Filmon needed somebody to bail him out of the hole he was in.

So there we were and just a couple of days ago, your House Leader stood up in this House and said that we had made an agreement with the Liberal Government back in 1982. That historical untruth has so permeated the minds of Manitoba Tories that they still can't purge themselves of that untruth. They've got this revisionist history that says black is white and white is black and eventually they'll be able to get it right, but it is simply not true, that the Tory position last fall was in support of what we were doing and if would have folded our tents, we would have got zip-O.

MR. G. MERCIER: Mr. Chairman, dealing with this same issue, the Minister of Finance has indicated that even though the Province of Manitoba will be receiving the \$115 million over two years, that although it's a lot more fair it's still not - I think in his words or the Premier's words - not perfectly fair. In order to be taking that position, Mr. Chairman, the Minister of Finance must be or certainly is implying that Manitoba's position as a have-not province is fairly bad. I wonder if he could inform the House as to how bad the position of Manitoba is as a have-not province?

HON. V. SCHROEDER: Well, Mr. Chairman, I'm going to come back with numbers for the member for tomorrow, but I can give them a few now. When we took office, we were receiving per capita about \$100 more than the people in Quebec. By the end of next year we will be receiving less per person than the people of Quebec. We're receiving somewhere in the range of \$430 per capita next year in equalization payments.

Just for example, Newfoundland, before the extra adjustments, is receiving \$1,450-some per capita in equalization grants, and every Maritime province is in a range, I believe, of above \$800.00. So it is a fact that Manitoba is a poorer province than Saskatchewan, Alberta, British Columbia and Ontario. We have been doing better than the three western provinces over the last few years, relatively; that is, we've been moving up faster and some of them have been moving down while we've been moving up.

But the formula - and the whole argument we have made constantly is that the formula chosen unilaterally

by the Federal-Liberal Government in 1982 was unfair to Manitoba. The reason it was unfair to Manitoba is that it didn't average out the incomes of all ten provinces and then calculate up to what each province needs to obtain or provide services, approximately equal services to its citizens. It used what is called a five-province representative average.

Taking a province like Alberta, for instance, and when you then put the formula together and you look at the economy, say of the Maritime provinces, what you have there are economies that have less in natural resource wealth than Manitoba. For example, Manitoba tends to stick out in that formula as being a very rich province, natural-resource wise, compared to them. When you compare us to some of the western provinces, we don't look so good at all and so the formula itself works against us.

We showed the feds, and of course when the Conservatives were in office in 1981, the first proposal the Federal Liberals made was the Ontario standard which would have been even worse. We got out of that during the negotiations, but we never ever agreed to that, either the Ontario standard or the five province one.

The current formula indicates, even under the current formula, that there is a growing need for equalization in Manitoba by something like 7 percent for the coming year. Most other provinces are somewhere between 7.5 and 9 percent who are recipients.

The reason we're dropping is that we're coming off the transitional arrangements that were made. The transitional arrangement, or the formula itself, provided that we could never drop more than 15 percent in a year. That's why we were dropping 15 percent. We've now come back up 10 percent approximately, so we're losing about 5 percent. I just wanted to say this because there are some people who understand a bit of the formula saying well what we're getting is a 95 percent floor which is the same as other provinces have.

There's a difference here though in principle. That is that 95 percent floor was never designed for provinces with increasing equalization needs. It was designed for provinces with decreasing equalization needs. That is, if we struck oil or potash or whatever and started getting big revenue in, even though we no longer qualify, we would have had that 15 percent. We couldn't drop by more than 15 percent even though our revenues might triple and our revenues might be stronger than Alberta is in a year, we couldn't drop to below 85 percent of where we've been in the year before. That formula was never meant to provide less in one year than it had given in the previous. Again . . .

MR. CHAIRMAN: Order please, order please.

Perhaps other members not speaking could engage in conversations elsewhere.

HON. V. SCHROEDER: . . . I thought this was such an exciting topic, Mr. Chairman, that everybody would be listening as the Member for St. Norbert is.

So, different provinces have had different safety nets. Manitoba was at 85 percent. Quebec was at 85 percent, Nova Scotia is at 90 percent, and the rest of the provinces involved are at 95 percent. So, we've now moved up to the 95 percent with this formula for this

coming year. The reason I was saying before to the Member for Morris that we can't drop below what is predicted now for 1985-86 is that we'd already hit rock bottom. We can't drop any further so we can only drop the 5 percent. So, that's a very fixed number. We know we can't go up, because in order for us to go up, we'd have to have increasing requirements in the vicinity of about 25 percent. That won't happen.

For next year, our entitlement has dropped again under the existing formula down to \$367 million, I believe the number is. Just a few months ago, that was showing at \$400 million. So, a few months ago, if you'd added \$65 million to the base, we would have been looking at \$465 million for next year, which would have not been too bad. We'd have had 460 this year approximately and 465 next year. At least we would have been sort of on an even keel. By dropping it to 367, of course, and then topping it up with a 65, we're losing another, I think it's approximately \$22-25 million next year or in that range. Again, below where we were so that we're slowly coming down in funds, although our entitlement according to the formula is still going up.

Now, theoretically, that can turn around. That is that \$367 million can bounce back up to \$400 million if something happens in terms of strengthening income tax revenues and so on, but it can also drop. So, what we have for '86-'87 is sort of a volatile situation where we are sitting on a base that could drop considerably below the 367 on top of which the \$65 million will be added. The point being then that in '85-'86, there will be less transfer payments of equalization to Manitoba than in '84-'85, and based on current estimates, there would be in '86-'87 less transfer payments to Manitoba on equalization than '84-'86 again.

On that second year, there were some misunderstandings over the weekend. There were a lot of phone calls being made back and forth between federal and provincial Ministers and there had been an initial understanding that the \$65 million was on top of the \$50 million. That is, it would be 458 and then another 65 million which would have worked out to just \$4 million under what we had asked for. That is the Ransom and my letter to Ottawa asking for 519 in '86-'87.

It was at that stage that we were saying fine, we're giving it absolute A plus marks and so on. We felt that it was very fair, very reasonable based on the concerns that the Federal Government has with respect to its deficit. I believe that was the understanding of the Prime Minister as well.

On Monday morning, there were further conversations between our Premier and the Prime Minister and we were given assurances, at that time, that no matter what is on paper right now for '86-'87, no matter what is on paper, it's a question of what is fair.

That second year is something that would be subject to further discussions again. That was recognized by the Prime Minister, that there may be some misunderstanding as to the exact effect of it because it is a complicated formula. I don't expect people as busy as he is to be looking at every single formula between the Federal and Provincial Governments. I don't think that's fair to expect of him. He had a basic understanding on the weekend and there were further discussions. We do expect to carry them on.

As I said before, we're very appreciative of the move they've made, but we do feel that there have to be further discussions for next year recognizing that based on currently available data from the Federal Government - this is not provincial numbers, these are federal numbers based on currently available numbers, there's not one other province that would be having less money in '86-'87 than in '85-'86.

MR. CHAIRMAN: The Member for St. Norbert.

MR. G. MERCIER: Mr. Chairman, another question to the Minister of Finance.

On Page A17 of his Budget Address, there is a description of the debt of the Province of Manitoba and it would appear that in the first 112 years since Confederation, the Province of Manitoba accumulated a general all-purpose debt of \$1.345 billion. In four years under this government while he's been Minister of Finance, that general purpose debt will increase to \$3.375 billion based on his projected deficit for this year, appreciating, Mr. Chairman, that expenditure cuts at any time do create hardship on various individuals and groups. But the continued accumulation of such a debt will cast an onerous burden on those who follow in repaying and in discharging this obligation.

I wonder if the Minister of Finance could inform the House as to his view or projections of the general purpose debt position of this province over the next number of years based on the information that he might have from the Department of Finance.

MR. CHAIRMAN: The Minister of Finance.

HON. V. SCHROEDER: I think that general debt position is one that, well basically it's facing governments right throughout the Western world. I think just recently I heard a Democratic politician in the United States making some very very similar observations with respect to the Reagan deficit. I think if you take the last four years of Federal Liberal deficits, you might be able to make that same argument. You can go through the country, and basically, that has happened.

I don't think there's anyone in this House that particularly likes that trend. One has to look to the causes. I've been pointing out recently to Manitobans that on a per capita basis this government spending is third lowest in the country. — (Interjection) — Well, I think it's been that in the last couple of years. In many ways, we view this at least as much a revenue problem as an expenditure problem.

There's one other area on the revenue side other than what I was referring to with the Member for Morris, and that is that whole area of the underground economy. I think that's something that has to be looked at. Some federal studies recently indicated that in 1978, there was something in the neighbourhood of \$2.5 billion of unreported tax across the country. We would have probably our share of that being somewhere in the neighbourhood of 4 percent to 4.5 percent of that. I imagine that has grown a little bit since then. I guess that's an area that has to be addressed when we look at reform of the current way in which we tax Canadians. We have to do it in a way that is fair to all of us and make sure that it collects similar amounts from people

earning similar incomes. It makes people believe that if they don't pay taxes legitimately owing, that the law will catch up to them.

MR. G. MERCIER: Just a quick question. How long, Mr. Chairman, does the Minister of Finance think the Province of Manitoba can go on accumulating deficits in this range when the total general purpose debt at the end of this fiscal year will be some \$3.375 billion? How much debt does he think Manitobans can afford?

HON. V. SCHROEDER: Well, Mr. Chairman, looking interprovincially . . . we're a part of Canada and basically a lot of the things that happen in other parts happen here. Right now, we're paying out below what the average province pays out in interest payments as a proportion of their overall expenditures. One would not like to see it rise significantly beyond where it is now. I pointed out, for instance, that in this current coming year our deficit as a proportion of gross domestic product is lower than it was several years ago. If the deficit stays at the particular level it's at right now while the economy grows as it did last year by I believe 9.8 percent or something like that, if at least we can hold it here and maybe drop it some over the next few years, I think it can be considered to be manageable under the circumstances. It's not something that we delight in. We just point out that the alternatives of taxing more or decreasing expenditures in order to drive the deficit down are both fraught with some dangers to Manitoba as well.

In either instance, they can have a very negative impact on the economy and in the instance of the decreases in expenditures, depending on where you decrease them, they can have some very severe impacts on the lives of individual Manitobans.

MR. CHAIRMAN: The Member for Virden.

MR. H. GRAHAM: Thank you very much, Mr. Chairman. I have a question for the Minister in charge of the Civil Service, I believe it's the Honourable Minister of Labour. I'd like to ask the Minister in charge of the Civil Service if the government has a policy to provide either assistance in the form of outright grants or assistance in the form of loans . . .

MR. CHAIRMAN: Order please, order please.

MR. H. GRAHAM: . . . I'd like to ask the Minister if the government has a policy to provide assistance to civil servants in the form of either grants or loans when their jobs have been changed and they have to relocate? Has the government got a policy to provide any assistance for civil servants in that field?

MR. CHAIRMAN: The Honourable Minister of Labour.

HON. A. MACKLING: Mr. Chairman, since I haven't been Minister responsible for the Civil Service Commission for any extensive length of time, I stand to be corrected - my colleague, the Minister of Finance may have further information on that - but my understanding is that, if as a result of departmental initiative, a civil servant is moved, there is provision

for assistance to that civil servant. If someone is transferred by direction of the department from one location to another there is assistance provided. Now, the extent of the assistance I would have to get further information on. I don't know every gradation of assistance there.

In respect to a civil servant who applies to get a job in another department and therefore moves, I don't think there is a policy for government to assist in that respect.

MR. H. GRAHAM: I'd like to ask the Minister in charge of Crown corporations then if the policy that applies to civil servants is the same policy that applies to Crown corporations?

HON. V. SCHROEDER: I'll get back to the member, but I'm not sure that we have a specific policy that is a guideline to every Crown corporation. I recall, for instance, there was a house purchased back in 1980 or '81 by a Crown corporation in Calgary for the use of an employee and then there was a transfer and there were payments and so on. I recall seeing that file a couple of years ago.

There have been a variety of contrasts. I think it depends upon what is customary in the particular trade you're involved with. Within the Civil Service, things depend on a number of factors. If you decide to transfer from one place to another within the province, you may or may not qualify. I recall one instance where somebody didn't qualify. On the other hand, I recall people being brought into the province and qualifying under the regular guideline. It's not something that I could exactly spell out detail for detail what the policy is.

MR. H. GRAHAM: Could the Minister then provide to the members of the Chamber the guidelines that presently exist for the Civil Service? And could the Minister also assure us that if there are different policies for the various Crown corporations, would they give us the policy that applies to the various Crown corporations - if there is any difference?

HON. A. MACKLING: I'd be happy to provide that information another date. I suppose I could provide it during question period if that's acceptable or during the course of the Estimates.

MR. H. GRAHAM: Mr. Chairman, I think we'll probably be in Interim Supply tomorrow and he should be able to give it.

I would like to ask the Minister of Finance - I asked him a question yesterday regarding the changes in the transitional border gas tax. I know it only takes a minute to get it out of his office. I ask the Minister if he has availed himself of that information yet and if he's willing to provide it to me.

The old rate that applied before the 1st of April, and the new rate that applies for the seven different zones in the transitional area.

MR. CHAIRMAN: The Minister of Finance.

HON. V. SCHROEDER: I believe I have the material in my office. I say I believe I have, I know that there were

several items that came in relating to questions. They came in after question period today and I haven't had the time to take a look at them, but I certainly will look at them before question period tomorrow.

MR. H. GRAHAM: We will have that information for question period tomorrow, is that correct?

HON. V. SCHROEDER: If, as I expect, that information is in my office, then you will have it in question period tomorrow.

MR. H. GRAHAM: Mr. Chairman, I would like to pursue the matter during Interim Supply, but if the Minister hasn't got the information I would be prepared to give it to him.

MR. CHAIRMAN: The Member for Thompson.

MR. S. ASHTON: Thank you, Mr. Chairman. I just had a few brief comments arising out of some of the comments which were made earlier today, and also some comments that have been made in recent weeks in regard to Northern Manitoba.

MR. CHAIRMAN: Order please, order please.

MR. S. ASHTON: Mr. Chairman, I wish the member opposite would not stoop to threatening me, in terms of how much time I should take on this.

I would indicate that I had intended to speak following the Member for Niakwa's comments earlier and had expected him to continue his comments after supper. I thought it was only fair to hear the termination of his comments, however, the Member for Niakwa did not continue after supper and that's why I'm making the comments now.

What I had wanted to say . . .

MR. CHAIRMAN: Order please. I'm having some trouble hearing the Member for Thompson. Other members will have their opportunities to speak.

The Member for Thompson.

MR. S. ASHTON: What I had to say, Mr. Chairman, was that I was disappointed and, in fact, appalled by some of the comments that had been made in regard to Northern preference, and I would in fact urge members opposite to reconsider their statements because, if they look at the provisions that have been made in regard to Northern employment on Hydro, and some of the policies implemented by this government, they'll see that what is being talked about is only fair. There's basically an attempt to get a fair share of the jobs in the North, and that's something which I felt that they had supported. In fact, I would hope that in the future, rather than hear them raise questions in the House about how many southerners are going to be employed on Limestone, they would ask how many Northerners are going to be employed, because past experience has indicated that, despite talk of Northern preference there have been very few Northerners who have ever worked on Hydro sites in the past.

If you look at the situation in the North, I think you'll see it's only fair that Northerners do get opportunities.

In my own constituency there's a high rate of unemployment amongst young people, long-time residents, they deserve a chance. In outlying communities, there's a 90 percent rate of unemployment, I feel they deserve a chance, Mr. Chairman, and I would hope they would reconsider their statements.

Just in general, I would hope that they wouldn't make some of the negative statements that we're often hearing about the North, that they would perhaps concentrate on giving some of their criticisms and suggestions in this regard. When I sit in here and I hear talk about "fat cats" in the North, or when I hear other comments about us being justified in paying high prices for gas, I do think that there is something wrong, that these members who are saying these statements really are out of touch with what is happening in the North. We're not asking for special treatment, just fair treatment on issues such as this.

Mr. Chairman, when we talk about the need to give first chance at jobs in the North, we're not saying there aren't going to be jobs for southerners, there will be, Mr. Chairman. Anybody who looks at the situation will realize that. What we're saying is, at least give us a chance for our young people who are unemployed, please give us a chance, not special treatment, but fair treatment; not all the jobs, but a fair share of the jobs involved.

MR. CHAIRMAN: The Member for Lakeside.

MR. H. ENNS: Mr. Chairman, it's not very often that timing is so fortuitous to a particular member as it has happened to me today. Virtually at the same time that my colleague from Pembina was addressing himself to the resolution before this House with respect to telecommunications, telephones, put before the House by the Member for River East, I was being approached by an elected local Reeve of the LGD of Armstrong who tells me a very strange story.

HON. V. SCHROEDER: Oh, let's have a story.

MR. H. ENNS: Yes, it's a very strange story. They have erected two firehalls in Inwood and in Fraserwood - small communities, two firehalls - they have their trucks ready and they have, in an effort to avail themselves of the modern technology of communications, approached the Telephone System for a tender with respect to a paging system so that they could have the fire trucks on call; and they approached another firm, namely, Motorola, to supply the same equipment. The locally-elected reeve, people that this government says they have some feeling for, elected for their own reasons to opt for the Motorola equipment, and the Manitoba Telephone System now says they will refuse to put a telephone in a firehall, emergency service in a firehall.

That simply underlines what my colleague, the Member for Pembina was saying about the lengths, that I'm ashamed to say, the Manitoba Telephone System will go to to deny competition; that the people in my constituency, the LGD of Armstrong, who have invested in building a new firehall, have bought the trucks, invited MTS to tender for a paging service, and

did what? Unlike the Minister of Energy did with respect to a \$100 million contract with turbines, but nonetheless, let's not get deviated, got another supplier - and this is Motorola - to supply their paging services; and MTS tells them point blank that they will refuse to hook up, refuse to put telephone service, would you believe it, in a firehall. I ask the Minister of Labour, the Minister responsible for telephones, and I ask him this very genuinely. As I say, it's not often that time so coincides with the fact that I can make this request on Interim Supply, which is a wide open debate.

Surely he will do something before 10 o'clock in the morning, before 2 o'clock in the morning, that will make sure that the communities of Inwood and Fraserwood will not be denied that very basic service that the Member for River East and others talked about as so important will be denied. For what? For chagrin, for the fact that they didn't get the business. Whose dairy farms are at stake; whose home are at stake if they can't get communications? Is that where we're talking about public service?

So, Mr. Chairman, I simply ask, and the Minister does not have to respond tonight, but I'm given to understand that seven or eight other municipalities or districts have the service that the communities of Inwood and Fraserwood are asking. Just recently, as late as seven or eight months ago, the Community of La Broquerie in La Verendrye had the similar situation. They built a firehall; they put their firetrucks into service; they asked for tenders - and they certainly invited the Manitoba Telephone System to tender - they considered the tenders, but decided to award it to Motorola and they had to wait a year before they got it.

But La Broquerie now has their telephone service. Mr. Chairman, you are the sponsor of this resolution. I would ask you to intercede on my behalf - not on my behalf, but on behalf of the dairy farmer who is paying taxes to have fire protection in Inwood and Fraserwood, that he can at least have the basic service of a black telephone to pick up and phone, and say, look, my barn is burning down, will you do something about it? And MTS is saying right now to my reeve, you can't have a telephone. Can you imagine a Crown corporation telling an elected representative that they can't have a telephone service?

So, Mr. Chairman, I will sit down. I simply ask the Minister to acquaint himself with the fact that the two communities in question are Inwood and Fraserwood. I know the Minister is familiar with them. In his former responsibilities as Minister of Natural Resources, he has met with people in that area, having to do with drainage problems, wildlife problems, Dennis Lake. But surely I don't have to take this much further. I mean, Mr. Chairman, I'm prepared to drop the question right now. We don't have to have the media and the press here. It's not my intention to try to embarrass this government or this Minister.

A MEMBER: Come on now, Harry.

MR. H. ENNS: It's not my intention at all. — (Interjection) — No, my simple concern is surely a community that is built at taxpayers' expense, a new fire hall, can get telephone service to it. I am told - and I don't want to believe it - I am told that the

Manitoba Telephone System will not put a telephone system in Fraserwood - and the Member for Gimli ought to be listening - in Fraserwood and for Inwood because they have decided to use Motorola equipment for their paging service.

Now I would like to simply - and you know, Mr. Chairman . . .

SOME HONOURABLE MEMBERS: Oh, oh!

MR. H. ENNS: Mr. Chairman, I'm going to do something that's unparliamentary because I should not be appealing to the Chair. But by fortuitous circumstances, it just so happens that it was his motion that we were debating, just a few hours ago - and I would ask you to intervene, Mr. Chairman - in defence of your motion.

A MEMBER: Is he on the board?

MR. H. ENNS: And he's on the board.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. H. ENNS: I would ask you to intervene. Look, I'm simply saying - when have you had a more fair and decent offer? I'm asking you to clean it up before tomorrow's question period. It's just that simple. Because there's no press here now; there's no media; nobody needs to know about it - just do it. Just do it.

MR. CHAIRMAN: The Honourable Minister of Labour.

HON. A. MACKLING: Mr. Chairman, I am dismayed, if what the honourable member says is fact, that the Telephone System . . .

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order please.

A MEMBER: I don't think they want the answer, Mr. Chairman.

HON. A. MACKLING: I repeat, Mr. Chairman, I am dismayed and troubled, if what the honourable member says is fact, that the Telephone System has declined to install telephone services to those fire halls because they didn't get an award, a tender for another type of communication service.

I will check into the matter and endeavour to get information for the member and for the House as quickly as I can, because I disagree if that is the fact and I will indicate my concern to the corporation. I doubt very much that that should have taken place and I hope that that hasn't taken place, but I will advise the House when I get the information.

MR. CHAIRMAN: The Member for Pembina.

MR. D. ORCHARD: Thank you, Mr. Chairman. Mr. Chairman, whilst the Minister of the Environment is in the House tonight, I wonder if the Minister of Environment can indicate to us whether the chemical spill at Carman is now completely cleaned up and the

river is not polluted, etc., etc., and that that matter has been cleared up?

MR. CHAIRMAN: The Minister of the Environment.

HON. G. LECUYER: Mr. Chairman, now that the snow has melted, the Town of Carman has lost all tracks of the passage of the Member for Pembina.

Indeed the Member for Pembina who has been kidding me for the last couple of weeks on this subject, knows I think full well that the situation is indeed more than in hand, is back to normal in Carman - thank God for that - and the chemical, Dinoseb, that was present on the land near the banks of the Boyne and on the ice itself was more than 90 percent collected and the remainder diluted - as the waters rose, the ice flowed and the remains with it.

Tests continued until we could not measure any trace of it and to this day continue downstream of Carman, to make sure that there were no other deposits of the chemical anywhere else on the ice that we would want to know of. Especially we want to have an indication that there are no concentrations that might be damaging.

MR. D. ORCHARD: Well, Mr. Chairman, I thank the Minister for his answer, his rather crusty disposition over the last 10 days or so had caused concern on this side of the House that the Minister, when he was in Carman, had eaten some yellow snow. It was affecting his disposition.

Mr. Chairman, can the Minister indicate to us how long the suspect chemical sample was being tested at the government lab?

HON. G. LECUYER: You know I think I've indicated - if I recall, I haven't got the details of this with me - but if I recall, I did indicate that the first samples to be analysed were those taken, I believe, on the 1st of March, and were being analysed as a fungicide, if my memory serves me correctly. Because the previous year, at the very same spot, there had been a spill which was identified as a fungicide and the time of the year was very much the same as last year when this was brought to our attention, that, in part, probably gave us some undue problems, but the fact is that at one point the lab . . . I am told it might be Dinoseb, except the manual of the chemical products indicated the different characteristics for the product than the one that was sent to the lab. That also created an additional problem.

At any rate one of our biggest problems is that we, at this point, do not have equipment that is sophisticated enough to scan a product and give us a fast reading, which forced us to eventually analyse the product in a private lab. But, as far as I know, and I repeat as far as I remember, the first samples to be analysed were those of March 1st. Although samples were sent before that, the analysis was not pursued as the public health inspector on the scene indicated to the lab that the problem or the spill had been picked up. It was minor; it was disposed of; and this was probably fungicide. Therefore, the analysis had not been pursued at that initial instant.

MR. D. ORCHARD: Mr. Chairman, the Minister has indicated that the Provincial Lab took some time and

was unable to identify the chemical Dinoseb. Could the Minister indicate how long it took the private lab to make that identification?

HON. G. LECUYER: I honestly don't know. I could check that out.

MR. D. ORCHARD: I'd appreciate it if the Minister would check it out.

Mr. Chairman, this Minister deserves to be chastised in his handling of this chemical spill in Carman. He deserves to be chastised for several reasons. The prime one, of course, is because the MLA for Churchill is sitting in this House right now, as is the MLA that ran for the City of - the MLA for Ellice. Now, Mr. Chairman, members opposite consider this to be a laughing matter. They think this is quite humorous. Mr. Chairman, we have just had this Minister describe to us a process of disposal of an unidentified chemical which is absolutely unacceptable by any government's standard, but it should be completely unacceptable by a government that has as a Treasury Bench member, the MLA for Churchill.

Mr. Chairman, we have just been told by this Minister of the Environment that a sample was taken some time prior to March 1, it was on the 22nd of February. It was a sample of an unidentified chemical. It was disposed of by a departmental official in the Department of Health in the landfill site in Carman — (Interjection) — we're not shutting her down at 10, we're in committee.

Mr. Chairman, it'll only take me five more minutes. — (Interjection) — Do you want to hear it now or do you want to hear it tomorrow? It doesn't matter to me. Tomorrow's fine.

MR. CHAIRMAN: The hour being 10:00 o'clock, committee rise.

Call in the Speaker.

The Chairman reported upon the Committee's deliberations to Mr. Speaker and requested leave to sit again.

IN SESSION

MR. DEPUTY SPEAKER, P. EYLER: The Honourable Member for Thompson.

MR. S. ASHTON: Mr. Speaker, I move, seconded by the Honourable Minister of Co-op Development that the report of the Committee be received.

MOTION presented and carried.

MR. DEPUTY SPEAKER: The Honourable Government House Leader.

HON. A. ANSTETT: Mr. Speaker, I move, seconded by the Minister of Housing that the House do now adjourn.

MOTION presented and carried and the House adjourned and stands adjourned until 2:00 p.m. tomorrow. (Wednesday)