

## LEGISLATIVE ASSEMBLY OF MANITOBA

Monday, June 5, 1989.

The House met at 1:30 p.m.

### PRAYERS

### ROUTINE PROCEEDINGS

### INTRODUCTION OF GUESTS

**Mr. Speaker:** Prior to oral questions, may I direct Honourable Members' attention to the gallery where we have from the Gillam School, sixteen Grade 5 students under the direction of Mr. D. Mills. This school is located in the constituency of the Honourable Member for Churchill (Mr. Cowan).

On behalf of all Honourable Members, we welcome you here this afternoon.

### ORAL QUESTION PERIOD

#### China—Military Violence Manitoba's Position

**Mrs. Sharon Carstairs (Leader of the Opposition):** Mr. Speaker, all Manitobans and Canadians were dismayed at events in Beijing over the weekend. When a Government, particularly one that calls itself a Government for the people, turns on those people with machine guns, tanks and troop carriers, we all react with horror.

Can the Deputy First Minister (Mr. Cummings) tell the House if his Government has made contact with our Prime Minister this morning, or will they later today, urging him to take a strong stand which is reflective of the horror that all Canadians feel about the events in Beijing?

**Hon. Glen Cummings (Deputy Premier):** Mr. Speaker, I arrived at the House mid-morning this morning and have been in meetings ever since. I want to assure the Leader of the Opposition (Mrs. Carstairs) that coverage that we have seen of the terrible atrocities that appear to have occurred regarding those in China who are demonstrating peacefully for what they believe are democratic rights is certainly something that no one in this House, I am sure, would want to condone.

\* (1335)

### Special Telephone Service

**Mrs. Sharon Carstairs (Leader of the Opposition):** With a supplementary question to the Minister responsible for the Manitoba Telephone System (Mr. Findlay), Chinese students living in Winnipeg have indicated their difficulties in contacting their relatives, friends, and loved ones in China, and particularly in Beijing. Will the Minister responsible for Telephones make special operators available so that these students can use the expertise of MTS to facilitate their calls?

**Hon. Glen Findlay (Minister responsible for The Manitoba Telephone Act):** I can assure the Leader of the Official Opposition (Mrs. Carstairs) that I will investigate that immediately after Question Period to see if we can facilitate in any way for them to make the urgent contact that I am sure they want to make.

**Mrs. Carstairs:** I thank the Honourable Minister.

### Government Documents Security

**Mrs. Sharon Carstairs (Leader of the Official Opposition):** Mr. Speaker, with a new question, in the last Session, as well as in the new Session, we have expressed concerns regarding the security of Manitobans, concerns relating to the use of information provided to CSIS, concerns about the privatization of Manitoba Data Services. Time after time, we have been reassured that at no time was the security of Manitobans at risk.

My question is to the Minister of Government Services (Mr. Albert Driedger). Was he advised that any sensitive security information from his department had been reported as missing to him during the past few days?

**Hon. Albert Driedger (Minister of Government Services):** Mr. Speaker, I will investigate that. I will have to take that question as notice and report back.

**Mrs. Carstairs:** Mr. Speaker, but that gives me grave concern. I had delivered to me late this morning at five to twelve the following Mobile Patrol Logbook, which was discovered by a passerby early Sunday morning and which I would like now to give to the Minister, through the Chair, and assure him that it has not left my office or my possession since its receipt. Can the Minister tell the House, was this loss of this logbook reported to the Minister and, if so, what steps were taken to recover it?

**Mr. Albert Driedger:** Mr. Speaker, I have to indicate that I am very concerned about what the Leader of the Opposition (Mrs. Carstairs) is saying and I will certainly look into it. It was not reported to me and I will find out why.

**Mrs. Carstairs:** Mr. Speaker, we are dealing with a book which contains 65 pages of sensitive instructions and security information on how to gain access to Government buildings, where to find keys, how to deactivate electronic security systems. There must be a more secure way than providing it to our security offices in a black, loose-leaf binder. What steps can the Minister tell us he will take to ensure that the information recovered Sunday morning has not been used by anyone to gain access to Government buildings?

**Mr. Albert Driedger:** Once again, Mr. Speaker, I am very surprised at what has happened and I will certainly

look into the matter. I will do everything that is possible to try and correct that and find out exactly what happened to develop this kind of a situation.

### Security Review

**Mrs. Sharon Carstairs (Leader of the Opposition):** With a final question, Mr. Speaker, will the Minister agree today to conduct a full inquiry on all security services within the provincial Government to ensure that this kind of thing does not happen again?

**Hon. Albert Driedger (Minister of Government Services):** Mr. Speaker, I am going to look into this matter and I will discuss it and take whatever steps are necessary to correct this kind of a situation.

### Department of External Affairs Minister's Remarks

**Ms. Maureen Hemphill (Logan):** Mr. Speaker, my question is to the Premier of the province (Mr. Filmon). Over the last few weeks, we have all been buoyed by the courage and convictions demonstrated by millions of Chinese people, and particularly the Chinese students, as they took their stand for democracy and human rights.

Mr. Speaker, it appears that the Canadian statements made by the Minister for External Affairs, Joe Clark, are all directed towards the brutal force by the military and not the actions of the Government, and I quote: "He expressed horror and outrage over the Chinese military's indiscriminate and brutal use of force against the students and citizens of Beijing" and, once again, said "the actions of the Chinese military are inexcusable and once again urged the Beijing Government to take immediate steps to prevent further military acts of senseless violence."

Mr. Speaker, will the Premier ask the Minister of External Affairs to clarify his comments to ensure that Canada is not only opposed to the brutal action of the military, but that we are also opposed to any action taken or directives given by the Government?

\* (1340)

**Hon. Gary Filmon (Premier):** Mr. Speaker, clearly the Member read the statement herself that they urge the Beijing Government, they know where their responsibility lies and they have indicated that they are going to the source of the responsibility, that presumably the military take their instruction from the Government, and it is the Government to whom they are addressing their concerns. The criticism is of the actions of the military but clearly everybody understands, and it is obvious from that press release that the Minister understands where the instructions emanate and who is responsible for directing the military. I think that we are all horrified and shocked at those actions and not one of us in this room, nor anywhere else in this country, would condemn the actions of the military as having been directed presumably by their Government. It is wrong.

### China—Military Violence Visa Extensions—Students

**Ms. Maureen Hemphill (Logan):** Mr. Speaker, with a supplementary question to the Premier (Mr. Filmon), would the Premier communicate with the Minister of External Affairs and ask for some immediate steps to be taken, first of all, to indicate to us what steps are being taken to ensure the safety of Canadian citizens in China; secondly, to help facilitate inquiries as was mentioned by the Leader of the Opposition about information regarding the families in China, not just through the MTS Department, but through the Department of External Affairs and their capacity and ability to do that; and thirdly, to extend visas to students, extended visas to students and other Chinese citizens who are currently in Canada and who may not want to return at this time?

**Hon. Gary Filmon (Premier):** Mr. Speaker, those are all excellent suggestions and I will be happy to have those matters taken forward to the Secretary of State on behalf of the Government of Canada as actions that we believe are important in the face of the circumstances in China.

**Ms. Hemphill:** I thank the Premier (Mr. Filmon) for that statement, Mr. Speaker.

### Development Agreement Suspension

**Ms. Maureen Hemphill (Logan):** Since the Canadian Chinese community has made it very clear that they do not believe that the Canadian Government has been taking a strong enough stand on this issue, and that the actions of the President of the United States as announced at noon today were that he was going to stop arms to China, would the Premier (Mr. Filmon) also talk to the Prime Minister and see if they can determine how Canada can best contribute to a peaceful resolution by exploring all options? Apart from the ones that were mentioned, these other options: (1) the suspension of the signing of any new development assistance agreements like CIDA; (2) the possible suspension of development or technological assistance agreements that are presently operating; (3) the possibility of recalling the Ambassador; and finally, using our new position on the Security Council to initiate an immediate debate so the full force of international opinion and concern can be heard on this issue?

**Hon. Gary Filmon (Premier):** Mr. Speaker, I will take all of those suggestions under advice as part of our discussions with the Government of Canada on this very important issue.

### Ladco Land Development Deal Proposals Tabling Request

**Mr. Kevin Lamoureux (Inkster):** Mr. Speaker, we, the Official Opposition, still remain concerned about the timing and the risk factor in the Ladco agreement. The working papers say, and I would like to quote what the working papers have written on page 2, "Should the

joint venture not generate sufficient cash in the first five years to retire our debt, there would be no further cash to MHRC until Ladco's 59 percent share had been restored." What has this Minister done, Mr. Speaker? He has upped it to 62 percent, and he has not done a thing to assure that MHRC has any less of a risk factor to it. The question is, Mr. Speaker, will the Minister now table the proposals today?

**Hon. Gerald Ducharme (Minister of Housing):** Mr. Speaker, first of all, let us get it quite clear. The proposal that was submitted and the working papers indicate that was the far superior of any other proposal that we received, and also they are taking it out of context again. If he goes on to that same page, it does mention that this risk could be reduced if it went to the 75-25 split that we arranged.

**Mr. Speaker:** The Honourable Member for Inkster (Mr. Lamoureux), with a supplementary question.

**Mr. Lamoureux:** Mr. Speaker, the working papers tell us what the Government wants us to know. They do not tell us the other aspects of the proposals. Why is this Minister not willing to open up the entire process to the public?

**Mr. Ducharme:** Mr. Speaker, as I explained earlier, I have no hesitation in submitting the proposals. The two other people who submitted proposals do not want them presented. In fairness to the Member on the other side, I had arranged a meeting for him tomorrow morning, and I will be glad to go over all these proposals. These particular working papers were drawn up by the staff of MHRC, and they explained the whole procedure as arranged through the procedure arrangement that we did at the time.

\* (1345)

### Proposal Guidelines

**Mr. Speaker:** The Honourable Member for Inkster, with a final supplementary question.

**Mr. Kevin Lamoureux (Inkster):** The Minister of Housing (Mr. Ducharme) requested that the Manitoba Home Builders' Association circulate the proposal call for the St. Boniface land. Can the Minister tell me today if there were any guidelines or time limits to the proposal calls, and what were they?

**Hon. Gerald Ducharme (Minister of Housing):** Mr. Speaker, on sitting down with the Home Builders—and we sat down before their letter went through—it was the Home Builders who suggested that we would circulate this through their membership. Anyone who would come forward who was a developer would come through that and through the normal procedure. We took seven months to make sure we got the best deal, and that is the one we got.

### Children's Hospital Staff Shortages

**Mr. Gulzar Cheema (Kildonan):** Mr. Speaker, my question is for the Minister of Health (Mr. Orchard). The health care system in Manitoba is in critical condition. The lack of leadership and do-nothing syndrome created by this Minister is causing new horror stories for the patients, for the nurses—

**Some Honourable Members:** Oh, oh!

**Mr. Speaker:** Order, please; order, please.

**Mr. Cheema:** Mr. Speaker, the lack of leadership and do-nothing syndrome created by this Minister is creating new horror stories for the nurses, for the patients, for the doctors. This weekend, the Children's Hospital Research Foundation held a successful telethon. To achieve their ultimate goal and to achieve the best care of our children, we must have a vibrant academic environment. Can the Minister of Health (Mr. Orchard) tell us what steps he has taken since last week to stop the academic brain drain from Children's Hospital?

**Hon. Donald Orchard (Minister of Health):** Mr. Speaker, I am going to refer to the obvious research document that my honourable friend, the Liberal Health Critic has used, that being Sunday's newspaper. I am prepared to table the article in this case because it says, even the Liberals are only reacting to this and have no apparent plan according to one of the doctors leaving the province.

**Mr. Cheema:** Mr. Speaker, that is the kind of attitude and irresponsible action this Minister has always.

### Health Care Physician Recruitment

**Mr. Gulzar Cheema (Kildonan):** There are 25 communities in Manitoba who need desperately a primary care physician. Can the Minister of Health (Mr. Orchard) tell us why he has not acted on our economical and practical solutions? There are 25 communities. I can name all of them. Mr. Speaker, we can start with Altona, Brandon, Dauphin, Lac du—

**Some Honourable Members:** Oh, oh!

**Mr. Speaker:** Order, please; order, please.

**Hon. Donald Orchard (Minister of Health):** With all due apologies to my honourable friend, I missed the question but I understand the issue. So let me share with my honourable friend some of the initiatives. As my honourable friend well knows, initiatives are taken by Government in terms of some of the specific areas he has mentioned, namely in terms of physician recruitment to rural Manitoba, by implementing, hopefully, successful changes to existing programs.

I would like to be able to stand in my place and indicate to my honourable friend some of the initiatives we hope to take in the Budget that is to be tabled this

afternoon. I would hope that my honourable friends in the Liberal Party are not irresponsible enough to prevent those from happening by defeating the Budget because there are initiatives to address those very circumstances that my honourable friend has so identified.

\* (1350)

### Surgery Delays

**Mr. Gulzar Cheema (Kildonan):** Mr. Speaker, one of the Premier's constituents who is a senior citizen, a 75-year-old man, broke his hip last week and he had to wait more than 24 hours for just a simple surgery. This Premier (Mr. Filmon) is laughing. He should be ashamed of that. This is very irresponsible. My question is, can the Minister of Health (Mr. Orchard) tell us what action he will take so that people do not have to wait 24 hours for primary surgery which is needed at that time?

**Hon. Donald Orchard (Minister of Health):** I would be more than pleased to investigate that circumstance for my honourable friend. Knowing that my honourable friend does not want to bring individuals' names to the public forum, I know that he will share with me the individual's name and the hospital in which - (Interjection)- if my honourable friend, the Liberal Health Critic (Mr. Cheema) is not interested in the answer and insists in shouting from his seat, how is he to learn anything?

I am fully prepared, given information my honourable friend wishes to share with me, to investigate the individual circumstance, the hospital at which this allegation is being made, and I would be pleased to report to him on those circumstances.

### Budget Process Secrecy

**Mr. Gary Doer (Leader of the Second Opposition):** Mr. Speaker, over the weekend, there were media reports attributed to the Minister of Finance (Mr. Manness) that indeed the manufacturing or sales tax on manufacturing and production equipment could be eliminated in the Manitoba Budget today. The issue of the manufacturing and production equipment sales tax is an issue, I believe, of a confidential nature given the markets are open today. I would ask the Premier whether he feels that the interview with the media has prejudiced the Budget in terms of the absolute secrecy required in the Budget-making process in our province?

**Hon. Gary Filmon (Premier):** That question seeks a personal opinion. If you authorize me to go ahead with it, I will be happy to give that personal opinion to the Member for Concordia (Mr. Doer).

**Mr. Speaker:** The Honourable First Minister, if he so wishes.

**Mr. Filmon:** No, Mr. Speaker.

### Budget Manufacturing Equipment Tax

**Mr. Gary Doer (Leader of the Second Opposition):** We have seen situations where tens of thousands of hectares of land have been given away with an agreement between this Government and Repap of Montreal. I would ask the First Minister (Mr. Filmon), why has the agreement between Repap and the Province of Manitoba included a provision that would allow the company Repap to get preferential treatment if indeed, when the Minister tables his Budget in an hour in this Chamber, that tax is removed? Why has this Government allowed that clause to come into this agreement, and has it prejudiced the Budget process in this province?

**Hon. Gary Filmon (Premier):** The Leader of the New Democratic Party, in his usual irresponsible fashion, suggests that Repap has been given something away. Repap entered into an agreement that calls upon them to pay the people of Manitoba, through the Government of Manitoba, \$132 million, in addition, to invest a further \$1 billion, to make it the largest single private sector investment in the history of this province, in order to utilize wisely and carefully and in an environmentally sound fashion, the resources of this province, Mr. Speaker. I suggest that is no giveaway, but a rather major investment and a very excellent deal for the people of Manitoba.

**Mr. Doer:** The Premier did not answer the question. It was a very specific question and it is a very important issue.

I have consulted corporate lawyers today and they tell me that the clause in the Repap Agreement is highly unusual and very rarely in any other corporate agreement. Yet it is in the agreement with Repap and the Minister of Finance (Mr. Manness). Why is it in this agreement? Will not the Repap corporation get a major financial benefit, unlike other corporations in Manitoba? If the Budget produces a removal of that tax today, they will get it retroactive to the signing of this document, March 10, 1989.

**Mr. Filmon:** Mr. Speaker, the question is highly speculative, totally hypothetical, and I will take it as notice for the Minister of Finance. (Mr. Manness).

### Omand's Creek Development

**Mr. Paul Edwards (St. James):** My question is for the Minister of Urban Affairs (Mr. Ducharme). Mr. Speaker, there is a small strip of land dividing Bluestem Park and Omand's Creek Park in my constituency. The city has developed Omand's Creek Park and the province has developed Bluestem Park. The private owner of that small strip of land is now threatening a 16-storey office tower and a car wash on the site. This development would totally destroy the continuity of this green space. It would also make a mockery of the more than \$1 million of provincial funds that have already been spent.

My question is, why? When the Minister was approached by the city to get together to purchase

this last remaining strip of property, did the Minister flatly reject making any contribution, thus abandoning this very important project?

\* (1355)

**Hon. Gerald Ducharme (Minister of Urban Affairs):** Mr. Speaker, first of all, we did have negotiations with the city. Secondly, we felt that because the province was the one that developed the other park and that also the city does have funding in the arrangement with the province that they could accumulate or purchase the land, we felt that they should be the ones purchasing that piece of property.

### Environmental Impact Study

**Mr. Speaker:** The Honourable Member for St. James, with a supplementary question.

**Mr. Paul Edwards (St. James):** Mr. Speaker, my supplementary question is for the Minister of the Environment (Mr. Cummings). Will the Minister commit today to doing an environmental impact study on this project before it is allowed to go ahead, thus ensuring that considerations with respect to wildlife and the habitat in this area, which is quite extensive, and also the environmental impact on Omand's Creek itself are fully considered before a project such as this goes ahead?

**Hon. Glen Cummings (Minister of Environment):** Mr. Speaker, the project is not one that I am totally familiar with or have had any correspondence on since I became Minister and, rather than give a commitment yes or no, I will take the question as notice and certainly will report to the Member.

**Mr. Speaker:** The Honourable Member for St. James, with a final supplementary question.

**Mr. Edwards:** Mr. Speaker, I will look forward to that report and hopefully a confirmation that the environmental considerations will be taken into account.

### Green Space Protection

**Mr. Paul Edwards (St. James):** Finally, for the Minister of Urban Affairs (Mr. Ducharme) again, Mr. Speaker, the West End of the city suffers from less green space per capita than any other part of this city. The Minister's inaction on this is -(Interjection)- extremely—

**Some Honourable Members:** Oh, oh!

**Mr. Speaker:** Order, please.

**Mr. Edwards:** —deleterious to the quality of life in my constituency.

Finally, for the Minister, is this Minister willing to allow development over a creek and between two parks, which again is going to make a mockery of over \$1 million already spent by this Government? Why is he not willing to make a relatively minor further investment

to protect the green space and the green belt continuity in this part of the city?

**Hon. Gerald Ducharme (Minister of Urban Affairs):** Mr. Speaker, for one who personally has had the benefit of living in Winnipeg with its many beautiful parks, we are always aware and we always want to preserve park property. That is why this Government, along with the previous administration, developed the first part of Omand's Creek at no help from the City of Winnipeg. We also felt that I think the City of Winnipeg at this present time is—maybe the threat of a development is pushing up the price of that particular property. We will deal with it when the finalization all comes through, and my staff will keep me aware of what is going on.

### ERDA Agreements Renewal Priorities

**Mr. John Plohman (Dauphin):** Mr. Speaker, I have a question for the Minister of Industry, Trade and Tourism (Mr. Ernst), 1989 is the year in which almost all of the ERDA agreements come up for renewal in this province. We have heard some very disturbing news about the future of those agreements and renewal under this Government and the federal Conservative Government in Ottawa. These agreements have provided substantial economic stimulus in this province over the last five years in many different areas for Churchill, in transportation, in forestry, minerals, agriculture, technology, communications, tourism. Yet Brian White, the Member of Parliament for Dauphin-Swan River, has recently been quoted as saying that they were largely Native and northern agreements and that more money had to be funnelled into southern Manitoba.

I ask the Minister of Industry, Trade and Tourism (Mr. Ernst) to indicate whether he feels that the ERDA agreement, and agreements up to this time, have been inappropriately targeted and that too much money was going into northern and Native areas of the province? Can he indicate what priorities he has put forward and his Government has put forward to the federal Government insofar as priorities for renewal of ERDA agreements?

**Hon. Jim Ernst (Minister of Industry, Trade and Tourism):** Mr. Speaker, the whole question of ERDA agreements, I think, is very, very important for the Province of Manitoba. We have all but two now expired as of the end of March, 1989. We are in the process of negotiating with the federal Government renewal of ERDA agreements of a variety of types. They may not necessarily be the same name as what happened in the past but nonetheless of great importance to the Province of Manitoba. We are in the process of negotiating those agreements and, hopefully, will come to a conclusion with them in the very near future.

\* (1400)

### Negotiations

**Mr. John Plohman (Dauphin):** The Member of Parliament for Dauphin-Swan River has been quoted

as saying that 7 of the 11 ERDA agreements will not be renewed. Has this Minister received official indications that is a fact, and has he been told by the federal Government specifically what additional monies they are going to be funnelling into southern Manitoba, as the Member for Dauphin-Swan River puts it?

**Hon. Jim Ernst (Minister of Industry, Trade and Tourism):** I am not responsible for what this Member of Parliament might say or not say or whether he was even quoted accurately in the newspaper. What I will say is this. I have not been told that 7 out of 11 will not be renewed. We are in fact negotiating renewal agreements at the present time.

**Mr. Plohman:** Mr. Speaker, it seems that once again we have a Government here who does not know what is going on, who is not talking to the federal counterparts. They do not seem to know what the priorities are.

### **Water/Sewer Agreement Negotiations**

**Mr. John Plohman (Dauphin):** I ask the Minister of Industry, Trade and Tourism (Mr. Ernst) whether in fact it is true that a water and sewer agreement is being negotiated with the federal Government, as has been touted by several Members of Parliament, and when in fact the Town of Dauphin and other rural communities are going to see the major infrastructure improvements that are required to attract industry and diversification of their economies? Has this Minister got to the stage where he will be announcing a major agreement in water and sewer for this province?

**Hon. Jim Ernst (Minister of Industry, Trade and Tourism):** Mr. Speaker, as I explained to my honourable friend from Dauphin just a moment ago, the ERDA agreements are under negotiation at the present time. When they are completed and we have a formal agreement with the federal Government, we will then make appropriate announcements to deal with those issues. The Member of Parliament for Swan River is not the one with whom I am negotiating. It is the Minister responsible for Western Diversification, Mr. Mayer.

### **Baseball Park Access Road**

**Mr. Ed Mandrake (Assiniboia):** Mr. Speaker, to the Minister of Highways and Transportation (Mr. Albert Driedger), the City of Winnipeg is now constructing the new ball park which is to be used for the Western Canada Games, which is located near the John Blumberg Golf Course. The citizens of Assiniboia are concerned about the increased traffic during these games.

My question to the Minister is, has he or will he undertake discussions with the City of Winnipeg to construct an access road with the entrance at the lights to the drive-in?

**Hon. Albert Driedger (Minister of Highways and Transportation):** Mr. Speaker, I would think that if there

were any changes that the city contemplated in terms of the ball park they are building that they would have been consulting with the Government of Manitoba for our responsibility in that. By and large, our responsibility is the highways program. If there are any access roads to be built, they are at liberty to do that and, if they will approach me, I am prepared to discuss that with them.

### **Saskatchewan Avenue Development**

**Mr. Ed Mandrake (Assiniboia):** A new question to the Minister of Urban Affairs (Mr. Ducharme), Mr. Speaker, has he had discussions with the city regarding development north of Saskatchewan Avenue? Will it be an industrial site or a residential site?

**Hon. Gerald Ducharme (Minister of Urban Affairs):** No.

### **Red River Exhibition Relocation**

**Mr. Speaker:** The Honourable Member for Assiniboia, with a final supplementary question.

**Mr. Ed Mandrake (Assiniboia):** To the same Minister, would the Minister have discussions with the city as to the relocation of the Red River Exhibition and a construction of a permanent recreational site at Assiniboia Downs?

**Hon. Gerald Ducharme (Minister of Urban Affairs):** Mr. Speaker, there is an ongoing process to discuss with City Hall on all of these particular issues they bring up with their official delegation. I will take note of that one and bring it up to the official delegation.

### **Budget Invitation List**

**Mr. Steve Ashton (Thompson):** Mr. Speaker, my question is to the Premier (Mr. Filmon). Today, we have a very important event in the life of any Legislature, the tabling of the Budget. I would like to ask the First Minister, who developed the invitation list for the Budget today? Were Ministers consulted? In particular, why have a number of groups apparently been left off the invitation list and now find they are unable to attend the tabling of the Budget today?

**Hon. Gary Filmon (Premier):** Mr. Speaker, I will take that question as notice. I do say that when some people have indicated a desire to come to the Budget, and if the Member is making mention of the fact that the President of MGEA and the President of the Manitoba Federation of Labour had not received invitations—and I do not know who the list has gone to or if any list has been developed—when I was made aware of that, first thing this morning, invitations were extended to them and, in fact, I believe that they have been provided with passes for the gallery, if they choose to use them. We are very happy to have them here. We

are delighted with the Budget that we are going to bring forward, and I know that they will be just as interested and just as enthusiastically supportive of the Budget as everybody else in this Chamber will.

**Mr. Ashton:** Mr. Speaker, I am glad the Premier made mention of the omission of the very important representatives of two major labour groupings. It seems that the Chamber of Commerce and bankers did not have to show up this morning to get their invitations.

### Gallery Admittance

**Mr. Steve Ashton (Thompson):** But I have a question to the Premier, a further question. Why has the Manitoba Child Care Association not received invitations to the Budget? Why have they been told they cannot enter the galleries? Why have members of the public coming to our office been told they cannot enter the galleries either? Is this First Minister extending invitations to the Budget only to a selected few and those who have to come pounding on his door to get an invitation?

**Hon. Gary Filmon (Premier):** Mr. Speaker, my information is that in the past invitations have been extended to a wide number of persons from a wide variety of backgrounds and, in many cases, they did not make use of the invitations and the galleries ended up being half empty. We are interested in knowing that anybody who is interested in the Budget should have an invitation. Now, I do not know why those organizations to which the Member referred did not contact my office. If they had, it would have been rectified immediately as it was in the case of the Manitoba Federation of Labour and in the case of the Manitoba Government Employees' Association.

We are very proud of this Budget, Mr. Speaker. We want as many people from as many different organizations as possible to attend this Budget and all they need do is to contact us. I noticed, Mr. Speaker, when I was coming into the House just moments before Question Period that representatives of the Manitoba Child Care Association were in discussion with the Member for Ellice (Ms. Gray). They did not stop me and say they wanted an invitation—

**Mr. Speaker:** Order, please; order, please.

**Mr. Filmon:** —to be in the gallery. If they had, I would have said, welcome, we would be delighted to have you here.

**Mr. Speaker:** The Honourable Member for Thompson (Mr. Ashton), with a final supplementary question.

**Mr. Ashton:** Mr. Speaker, in view of the fact that many groups have been omitted, will the Premier table the list of invitations so that we in the Legislature may see who was invited, whether it was a select group or not?

In addition, will the Premier, since he indicated there would be space available in the gallery, extend an invitation not only to the Manitoba Child Care Association but the many members of the public who have been pounding on the Opposition Caucus offices

asking to see this presentation today? Will he open the doors of the Legislature to the public of Manitoba?

**Some Honourable Members:** Hear, hear!

**Mr. Filmon:** If there is space available, we would be happy to accommodate any who wish to attend, Mr. Speaker.

### Sewage Disposal Municipal Guidelines

**Mrs. Gwen Charles (Selkirk):** Mr. Speaker, once again, residents in East Selkirk are having a problem with sewage disposal. I am sure the Minister of Housing (Mr. Ducharme) is aware of the situation, where a 12-unit building from MHRC has been built on a one-and-a-half acre lot with no sewage disposal other than drainage into the ground. Can the Minister of Rural Development (Mr. Penner) tell me whether he has been in discussion with the Manitoba Association of Urban Municipalities to discuss the planning requirements for large units within planning districts?

**Hon. Jack Penner (Minister of Rural Development):** We have discussed on numerous occasions the problems that some of the municipalities in that part of the province are encountering with their sewage systems. We are entering into further discussions with them.

\* (1410)

### Environment Act Sewage Disposal Charges

**Mrs. Gwen Charles (Selkirk):** My supplementary question is to the Attorney General (Mr. McCrae). Can this Minister tell me, because the Government claims it will be enforcing The Environment Act, how it will do so when the Crown stays charges laid against The Environment Act, in particular in this case?

**Hon. James McCrae (Minister of Justice and Attorney General):** Mr. Speaker, I apologize to the Honourable Member. I was having a brief discussion with the Clerk of the House. I wonder if the Honourable Member would repeat her question.

**Mrs. Charles:** I understand the House Leader is busy today.

I will repeat the question in that a unit of municipal housing has been built on an acre-and-a-half lot. They are having sewage problems. The person on an adjacent lot has laid charges against The Environment Act and the Crown has stayed these charges. How will this Government, in that it claims it will be enforcing The Environment Act, do so when the Crown stays the claim?

**Mr. McCrae:** If the Honourable Member will make the details of the question available to me, I will take it up with officials of the Crown office.

### Sewage Disposal Cleanup

**Mrs. Gwen Charles (Selkirk):** To the Minister of Housing (Mr. Ducharme), will the Minister of Housing (Mr. Ducharme) tell this House, particularly to this constituent, what action he has taken with MHRC to ensure that the sewage problems for this resident will be cleaned up and that it will not be an ongoing situation.

**Hon. Gerald Ducharme (Minister of Housing):** Mr. Speaker, I will take that as notice. However, I want to make it aware here that this is not a one-way street. It has been before the courts and I would suggest that they let them finish that procedure and we will solve it at that time.

### CN Rail Layoffs Rural Impact

**Mr. Jay Cowan (Churchill):** My question is to the Minister of Highways and Transportation (Mr. Albert Driedger). Two weeks ago, we learned of massive cutbacks in CNR employees in the Hudson Bay territory. Those cutbacks will affect many individuals, their families, and have disastrous impacts on entire communities like Gillam, Ilford, Pikwitonei, Thompson, Churchill.

I would ask the Minister, since he was caught by surprise when these announcements were broken by the New Democratic Party Opposition, what action he has taken to date to contact his federal counterparts to speak out in the strongest terms in support of those families and communities and to ensure that those cutbacks do not proceed.

**Hon. Albert Driedger (Minister of Highways and Transportation):** I would like to indicate to all Members of the House that after we were notified of the cutbacks from VIA Rail and CN that I had written the federal Minister of Transportation asking him about the cutbacks of CN, specifically, which affects many rural people who do not have the opportunity to pick up other jobs in small communities, that they look at alternatives in terms of trying to address the—we are not criticizing the fact they are performing their operations. However, the job impact and the job losses is the thing that is a concern to myself. I have written the federal Minister about that, asking him to address them.

### Safety Record

**Mr. Jay Cowan (Churchill):** We are criticizing the cutbacks because we think they will have impact on safety and maintenance of the Hudson Bay Rail Line and other railways. We ask the Minister what action he has taken to ensure that these cutbacks do not reduce the maintenance on the bayline that will eventually result in its closure, and does not affect safety for passengers travelling on that line?

**Hon. Albert Driedger (Minister of Highways and Transportation):** Mr. Speaker, as I indicated, I have

written the federal Minister asking him to review the whole situation. As soon as I have a reply from him, I am prepared to discuss it further with the Member.

**Mr. Speaker:** The time for oral questions has expired.

### NON-POLITICAL STATEMENTS

**Hon. Gary Filmon (Premier):** Mr. Speaker, I wonder if I might have leave for a brief non-political statement.

**Mr. Speaker:** Does the Honourable First Minister have leave to make a non-political statement? (Agreed)

**Mr. Filmon:** Mr. Speaker, the world has been shocked by the devastating events that occurred this past weekend in Beijing, China. Those in our land who fought for freedom in generations past know the bitter price that sometimes is paid to secure a way of life wherein an individual is able to speak out and stand for those things in which he or she believes. We have worked to secure freedom. We have worked to maintain freedom and to honour freedom as a fundamental cornerstone of our society.

While we, in Canada, are able to voice our opinions, to demonstrate in peaceful protest against those things we wish to see altered, in China today people are suffering and dying in their attempt to do what we here, in Canada, sometime take for granted as a democratic right.

Those who lie dead and dying because of the brutal military attack on the people who gathered in Tiananmen Square will become a symbol of the struggle for democracy all over the world. Their bodies may be broken but their will to persist in the call for reform cannot be squelched, cannot be dampened and cannot be stopped.

People who believe in their cause will return again and again to stand up for their cause. The Chinese authorities will have to decide how to handle the next demonstrations that are certain to come. This is the time to let it be known that the eyes of the world are upon China and that the violent suppression of innocent men and women is viewed with horror and disgust.

We who are privileged to have freedom of speech, to have freedom of assembly and to have the power to affect societal change through our system of Government cannot let the tragic and outrageous events of these past few days go by without comment. We must speak out in protest at the gross aberration and violation of basic human rights that we have witnessed.

The horror of the attack on the citizens of Beijing must be denounced by all who live in freedom. Many of us, and our parents, grandparents and forebearers in Manitoba, came to this great country of ours to escape the kind of oppressive regimes that the people of Beijing are presently under suppression. Many of our citizens fought in the world wars to preserve a way of life that encompasses the right to protest. Bloody massacres are abhorrent to our way of life.

Mr. Speaker, our hearts go out to those who suffer in China today, and we offer our continued prayers for



the well-being of all who are trying to peacefully resolve the terrible strife in that part of the world.

**Mrs. Sharon Carstairs (Leader of the Opposition):** May I have leave for a non-political statement?

**Mr. Speaker:** Does the Honourable Leader of the Opposition have leave to make a non-political statement? (Agreed)

**Mrs. Carstairs:** Thank you, Mr. Speaker, and I thank the Premier (Mr. Filmon) for his remarks because I think all Manitobans and all Canadians feel the outrage that I believe he feels today:

You know in 1956, when I was a university student, it was Hungary. In 1968, it was Czechoslovakia. This weekend, it was Beijing in China. In almost all cases, it is students. It comes from the lifeblood of a nation. It comes from the young people who want for themselves and for their children not yet born, in many cases, although we did see some pictures of young students with their babies in arms. It comes from young people who believe that it is possible to still bring about change within a society, that you can strike the blow for freedom.

Saturday night, like many Canadians, I went to bed with pictures of people much older than the students coming out of their homes to surround those students, to protect those students, to give life if you will to the heartbeat of the student movement and yet, to wake up on Sunday and to discover that the military had under leadership from their Government officials, and the story is out now, turned on the people.

The story that is out now, Mr. Speaker, is that they actually brought in new troops because the troops that were originally there, who had been interacting with the students, would not turn on the students, that they are the ones who had accepted the carnations from the students. They are the ones who had responded to that heartbeat, to that cry for freedom. So they dismissed those troops and they brought in new troops from the countryside, who were told by their leadership that they were putting down an insurrection.

Mr. Speaker, let us all go forth as Canadians and speak with one clear, undivided voice. That heartfelt feeling of the Chinese student is felt by all Canadians, whether we are young or whether we are old, and that our thoughts and our prayers are with them.

**Ms. Maureen Hemphill (Logan):** Mr. Speaker, I beg leave of the House to make a non-political statement.

**Mr. Speaker:** Does the Honourable Member for Logan have leave to make a non-political statement? (Agreed) The Honourable Member for Logan.

**Ms. Hemphill:** We also want to join with the Premier (Mr. Filmon) and the Leader of the Opposition (Mrs. Carstairs) to express our outrage at the Chinese Government's brutal suppression of the peaceful demonstrations at Tiananmen Square. We share the belief of the Chinese-Canadian community that these actions demand a strong stand in solidarity with the Chinese students and with the citizens of China.

The great sadness and shock and disbelief in China is felt by people throughout the world. The killing of the young people by a Government is an unbelievable and an unnecessary act of brutality. It is a tragedy because the student demonstration was very peaceful and they had no arms. It is a tragedy because they were killing their young people, their greatest national treasure and their hope for the future. It is a tragedy, Mr. Speaker, because there were so many other choices, so many peaceful ways to resolve the differences other than using machine guns and tanks against unarmed and peaceful young people.

\* (1420)

Mr. Speaker, many cultures have sayings that say something like this, a child will lead the way. Young people will lead the way. The youth of China are leading the way and they are speaking out for the people of China. They are voicing the concerns of the Chinese people when they call for their reforms, and they represent the dreams and aspirations of all of the Chinese people. They are calling for a move towards democratic rights, towards democracy, for freedom of speech, for freedom of the press and for an end to the corruption in China. In doing that, they demonstrated incredible leadership qualities: determination, wisdom, courage, patience, peacefulness, a willingness to co-operate and a willingness to communicate.

These students did not want to topple the Government. They were acting out of love for their country and their people. Many of those who were killed are relatives of our Manitoba-Chinese community. I, as all of us in this Chamber, am calling on all Parties, all Governments and all Members of the Legislature to join with all of us together to express our sadness and our outrage at the atrocities and to indicate our support for any action that can be taken by our Government and all other Governments of the world to demand an end to the violence and a move towards a peaceful means of resolving China's crisis.

## HOUSE BUSINESS

**Hon. James McCrae (Government House Leader):** Mr. Speaker, I believe there would be a disposition for you to call the House into recess until 2:30 p.m.

**Mr. Speaker:** Is it the will of the House to recess until 2:30 p.m.? (Agreed)

This House is now recessed until 2:30 p.m.

## RECESS

\* (1430)

**Hon. Clayton Manness (Minister of Finance):** Mr. Speaker, I move, seconded by the Minister of Justice (Mr. McCrae), that this House approve in general the budgetary policy of the Government.

**MOTION presented.**

## BUDGET ADDRESS

**Hon. Clayton Manness (Minister of Finance):** Mr. Speaker, I am pleased to present our Government's second Budget to the Legislative Assembly and to the people of Manitoba. Today, I will review our record of management during our first year in office and outline the fiscal plan for the year to come, a plan which will guide this province into the next decade.

The 1990s hold enormous promise for Manitoba. Our great natural advantages will allow our province to attain new heights of opportunity and prosperity. As we plan for the decade ahead, we are guided by the principles of sustainable development, the understanding that growth must meet environmental and social standards, and provide economic benefits. We must learn to use all our resources, financial, environmental and human, carefully and responsibly.

We are confident that Manitobans will be able to meet the challenge.

As I said last year:

"Our goal is a competitive and diversified economy which will provide increased investment and job opportunities for our citizens, and pay for quality health, education and social programs."

The fiscal plan which I will outline today shows our continuing strong commitment to social programs and natural resource development. It shows too our equally strong commitment to rebuilding a provincial economic environment which is conducive to private investment and meaningful, long-term job creation. It shows how control of the province's finances has been regained. The deficit will be the lowest this decade. General Purpose Debt will decline for the first time in 20 years.

We have only to think back to conditions 13 months ago to realize the progress that has been made. Around the province now, there is a sense of change, a new spirit of optimism about the future.

Manitobans recall the succession of escalating deficits, the massive build-up of debt and major tax increases. By the end of 1987-88, total Net Direct and Guaranteed Debt surpassed \$10.3 billion. Manitoba was saddled with a tax regime unfair both to individuals and to the business community.

By 1987, the damage had become evident in the province's economic performance. Economic growth had slowed. Investment declined.

Upon coming to office, our Government made a promise to Manitobans to bring back good management to the affairs of Government, and thereby rebuild confidence within our province. At the same time, we made a commitment to preserve the high standards of services which Manitobans expect.

We did not underestimate the magnitude of the task. We approached the challenge in a systematic manner and our approach has already produced results.

Over the past year, spending, particularly debt costs, came in well underbudget. Other revenues have been

higher than anticipated, and we have benefitted from increased federal transfers. The deficit has been nearly cut in half from \$299 million in 1987-88 to \$152 million last year. This year, the deficit will be reduced further, to \$87 million. Later in this Address, I will discuss our strategy for long-term fiscal management.

Most Manitobans know we have begun the process of restoring fairness and stability to the taxation system in this province. In the last year's Budget, we provided tax relief to Manitobans by freezing personal income taxes and by ensuring that taxpayers received the full benefits provincially of federal tax reform.

This year, we will do more.

Our Government does not believe in taxing jobs. Last year, we eliminated the payroll tax for half the taxable employers in the province. Further reductions will be made this year. By easing the burden of the payroll tax, we are improving the climate for private investment and job creation.

Our primary objectives as a Government have been to protect services to people, and to provide tax relief while reducing the deficit. To accomplish these objectives, we have placed great emphasis on bringing more effective management to the operations of Government.

\* (1440)

Government departments have been restructured. A stand-alone Department of Environment has been established, demonstrating the importance we place on environmental protection and sustainable development. A new Department of Rural Development will provide a more co-ordinated and pro-active approach to economic development and diversification initiatives. In recognition of the need to better support family life in this province, a new Department of Family Services has been formed.

Other measures have been taken to improve program delivery. The Independent Review of Government Management Practices has produced a wide range of recommendations which have been implemented or are now under further review.

Action has been taken to improve the operation of the Crown corporations. In the past, Crown corporations were often perceived as being insensitive to public concerns. The Crown Corporations Public Review and Accountability Act passed in the last Session of the Legislature is a major step towards reasserting the primacy of public interest in the functioning of the Crowns.

The role of individual Crown corporations has been examined. Those which no longer properly serve the public interest are being wound down, are transferred to the private sector. But these transfers will be undertaken so as to ensure the best possible returns in terms of compensation and of economic development activity.

The sale of Manfor Ltd., Mr. Speaker, to Repap Enterprises is in many ways a model divestiture. The sale agreement meets the Government's preconditions

for disposal of the forestry complex. First, it relieves Manitoba taxpayers from the obligation of supporting what had been long a money-losing enterprise. The sale will preserve the existing 850 Manfor jobs and will create at least 350 new jobs in the region, as well as the economic prosperity which goes with them. The sale also brings a fair price to the people of Manitoba. This agreement is an important step in bringing investment and environmentally sound economic development to northern Manitoba.

Since coming to office last year, we have brought a new approach to governing, based on principles of effective management and rational decision making. Both Opposition Parties tried to scare Manitobans into believing that we would cut the services on which they depend. This has not happened. This will not happen. Instead, we have maintained and strengthened social programs.

Health care, the cornerstone of our social programs, has been strongly supported, allowing the construction and renovation of facilities in all parts of the province. Education funding has been increased including more money for universities, public schools, and independent schools. More flexibility has been built into the province's child care system. More resources have been put into the critical area of child protection and family services. Action was taken to help Manitoba farmers weather one of the worst years in recent history.

Progress has also been made in honouring the unfulfilled commitments of previous administrations. Over \$11 million has been put toward meeting Manitoba's responsibilities to northern communities under the Northern Flood Agreement.

Manitoba experienced the worst drought in more than 50 years last year. However, a number of sectors showed significant growth.

The mining industry led the way. Mineral production increased 68 percent in 1988 to \$1.7 billion. Nickel production recorded the largest increase, up 170 percent to \$1.1 billion.

There was improvement too in the manufacturing sector. Shipments increased 5.8 percent. Employment increased by 12.5 percent and, in 1989, investment is forecast to increase 46 percent.

The pain of the drought was felt throughout the economy. It cost Manitoba's Gross Domestic Product over \$300 million, and held real growth to under 1 percent.

Improved international prices for grains and metals, however, contributed to an 8.3 percent increase in total nominal GDP, to \$21.6 billion.

Population growth slowed for the fifth consecutive year in 1988. In recent years, B.C. and Ontario have drawn population from most other provinces. The increase in net interprovincial migration in the second half of 1988, from both Manitoba and Saskatchewan, underscores the impact of the drought and the importance of agriculture to the overall health of the prairie economy.

High interest rates have exerted major pressures on household budgets, on farm and business operating

costs, and on investment spending intentions throughout Manitoba and Canada. In the aftermath of the 1988 drought, Manitoba's economy is far from being overheated. High interest rates have added to the difficulties Manitobans face in restoring a competitive, healthy economy.

The Canadian economy is slowing. The recent federal Budget forecast real growth of 3 percent in 1989 and 1.7 percent in 1990. Unemployment is expected to rise across Canada.

In April 1989, unemployment rates in seven of the 10 provinces were higher than a year earlier. Manitoba's rate was 7.8 percent, third lowest in the country.

Prospects for overall growth in the provincial economy in 1989 are tied in large part to a recovery in agriculture. A full recovery in agricultural production would add 1.5 percent to the real growth in the whole provincial economy.

Non-residential investment is expected to increase by over 14 percent in 1989. A strong increase is expected in the manufacturing sector and the finance, insurance, and real estate industry will more fully realize its potential in Manitoba.

Manitoba's growth over the next two years is likely to exceed the national average. Real growth of 3.5 percent in 1989 is currently projected.

Manitoba is well positioned for significant economic growth. Our central location, rich natural resources, diversified industrial base and well-developed transportation sector give us considerable advantage in attracting new investment. Manitoba has the added benefit of an affordable cost of living.

Earlier, I reviewed the record of the first year of our administration—protecting essential services, lowering deficit, and reducing taxes. This Budget, together with the Main Estimates of Expenditure, outline the course we have charted to continue the progress achieved so far.

The Budget allocates \$4.3 billion to maintain important programs and services for Manitobans, an increase of \$219 million.

These resources will help maintain and improve the quality of life of Manitobans throughout this province. Manitobans recognize that they enjoy a high standard of public services. They want assurance that those benefits of citizenship in our province will be available, not just now, but in the future. Effective management, reform and improvement in program delivery are important. We must achieve the highest standard of health, education and social services on an affordable basis to Manitobans. We must operate within a fiscal framework which protects the future provision of these services.

Health and Education remain the central priorities of the province. Together they receive \$2.4 billion, over 50 percent of the Budget. Health receives an additional \$99 million, while Education and Training receives an additional \$57 million. Overall spending authority for each department, including anticipated salary increases, is up over 7 percent, more than one and one-half times

the inflation rate, reflecting the importance we place on these programs.

The Budget meets our commitment to preserve and enhance the health care system in the province. Included in the total expenditure of over \$1.5 billion is:

- \* \$54 million more for the operation of Manitoba's hospitals;
- \* \$13 million more for personal care homes; and
- \* \$11 million more for Pharmacare.

Funding for the ambulance program, now over \$5.4 million, has more than doubled, reflecting the implementation of a revised funding formula. This formula will improve the accessibility and equity in the ambulance system.

The Home Care Program will receive an additional \$4.3 million, an increase of almost 10 percent.

The Health budget also provides for a new community-based Breast Cancer Screening Program and the establishment of a Women's Health Directorate.

The new Department of Education and Training will play a more vital role in communities throughout this province. It will help prepare Manitobans of all ages to take advantage of beneficial opportunities. We believe education is a lifelong process. The province's universities receive a total funding increase of 7 percent, the largest in six years. The primary and secondary school system receives an additional \$37 million, an increase of 7.8 percent. Independent schools receive an additional \$5 million. This brings funding levels to 50 percent of public school per-pupil grants and includes provision for students with special needs.

\* (1450)

Our Government places great importance on improving services to Manitoba families. Therefore, funding for the Department of Family Services will be increased by 9.1 percent to \$491 million this year. This includes provision for increased assistance under existing programs, and for new initiatives. Plans include:

- \* \$6 million more for day care, including \$600,000 through Education and Training for expanded training for day care workers;
- \* \$2 million more to enable the province to assume total responsibility for the provision of social assistance to sole-support parents;
- \* \$1.5 million more for programs to help prevent wife abuse and to assist its victims.

Rural communities in Manitoba have been hard pressed in recent years by low farm prices, drought and interest rates. Thankfully, earlier rains have helped crops to a good start. But international markets remain difficult, and farmers continue to feel the effects of high interest rates.

Rural water supply remains a vital concern. Last year, over \$17 million was provided in emergency drought relief and drought-proofing measures. The Government will continue efforts to assist farmers and rural communities to reduce their vulnerability to future threats to water supply.

Direct ongoing support to farmers will continue through the Manitoba Crop Insurance Corporation, the Manitoba Agricultural Credit Corporation, and through development, marketing and regional services, along with the expanded Income Insurance Fund. The Budget includes \$1 million for a federal-provincial soil conservation agreement.

Over the years, stronger consensus has emerged on the need for reform of the property tax assessment system in Manitoba. The present system has too many inequities. Local Governments must have an adequate tax base from which to provide services, and the assessment system must be fairer to local ratepayers. This year, our Government expects to proceed with reform.

Our Government remains committed to the removal of provincial school taxes from bare farm land as part of the assessment reform. Last year, we introduced the Manitoba Education Tax Reduction Program for Farmers, providing a 25 percent across-the-board reduction in school taxes on farm land in the province. This year, the program is expanded to reduce the provincial school tax bills of farm owners by 35 percent.

An enhanced highway construction program, enhanced street reconstruction and a new municipal bridge replacement program will be undertaken.

The Economic and Regional Development Agreements have been a positive force in strengthening Manitoba's economy. The Budget includes provision for a provincial commitment of \$38 million to sustain joint federal-provincial economic development efforts.

The Premier has led the fight for fair and sensitive treatment for Manitoba on the issue of Canadian Forces Base closures. In defence spending, the federal Government has a powerful opportunity to further national goals for regional development, endorsed by all First Ministers, while at the same time meeting essential military objectives.

One of the Government's priorities is a southern development initiative focusing on rural Manitoba. In this endeavour, the province hopes the federal Government will be a full and active partner in a vital program to further rural development and diversification.

Our commitment to environmental protection is demonstrated by the establishment of the Department of Environment with a 10.6 percent funding increase. The additional resources support the department's broadened mandate under the new Environment Act and The Dangerous Goods Handling and Transportation Act, as well as increased licensing and compliance activities. I will be announcing additional measures to help protect the environment in the taxation section of my Address.

Economic renewal through sustainable development will be fostered with initiatives directed towards protecting water quality and natural resources, which provide so much of the enormous growth potential of the Manitoba economy.

Initiatives to attract investment and encourage business activity in the province are strengthened with

a 6.9 percent, \$2.5 million increase in programs through the Department of Industry, Trade and Tourism. This includes increased funding for health industry development, urban transportation development and tourism promotion and development.

New initiatives include the establishment of a Manitoba Centres of Excellence Fund, which will support research and development activity, and the provision of financial assistance to the University of Manitoba's Faculty of Management to implement its long-term development plan.

For Manitoba's small business sector to develop and grow, individual entrepreneurs need better access to capital. Our Government will implement the Business Start Loan Guarantee Program announced in the Throne Speech. The program will provide guarantees on loans up to \$10,000 made by financial institutions. A particular focus will be women and rural Manitobans starting new businesses.

In my 1988 Budget, I undertook to examine incentives to encourage more equity investment by Manitobans for the benefit of businesses in the province. Our review indicated that there is a significant need to expand local sources of venture and growth capital and the associated management expertise.

The recently concluded Free Trade Agreement presents Manitoba entrepreneurs and businesses with significant new opportunities and challenges. To take full advantage of the new trading environment, new Manitoba businesses must be created, and established industries must be expanded and modernized.

These opportunities may not be captured if Manitoba's many early-stage and mid-sized enterprises do not have access to venture and growth capital. Accordingly, our Government will be providing up to \$30 million in financing to establish the Vision Capital Fund in Manitoba. The new fund will subsume the Small Business Growth Fund and will be available for both innovative new ventures and expanding mid-sized businesses. Another objective is to attract entrepreneurs and businesses to Manitoba and help them develop and grow. This fund will be administered in the private sector.

A Manitoba Stock Savings Plan will be established after a sufficient base of companies in a position to raise capital through public offerings has been developed through the Vision Capital Fund.

Additional resources of \$11 million, an increase of 8.2 percent, are included for the Department of Justice.

We are committed to better protection for the public through such measures as the recently announced impaired-driving initiative.

The Land Titles Office budget is increased by 20 percent to reduce the time required to register land transfers. Additional funding of 8 percent, \$1.6 million, for the Court Services Division, will allow the Family Division of the Court of Queen's Bench to extend its services to the entire province and reduce backlogs in the court system.

**Some Honourable Members:** Hear, hear!

**Mr. Manness:** To date, Manitoba taxpayers have provided \$323 million to insulate Manitoba Hydro from losses on foreign borrowing. We are moving to complete the process begun by the previous Government in 1987 of disengaging provincial taxpayers from any further foreign exchange risk associated with borrowing for Hydro purposes. Legislation will be brought forward to terminate the Energy Rate Stabilization Act as of April 1, 1989.

The Hydro Rate Stabilization appropriation increased by \$64 million in 1988-89 as a result.

Based on current foreign exchange rates, the elimination of ERSA means lower debt costs and consequent savings for Hydro and the City of Winnipeg.

I am proposing to capture some of those savings for provincial taxpayers with a 10 percent increase in water power rental rates effective September 1, 1989. As well, the province's service charge on commercial Crown corporations will be increased by one-eighth of 1 percent effective April 1, 1990.

In combination, these changes provide a modest improvement in the cash flow position of Manitoba Hydro and the City of Winnipeg. The estimated net benefits in the 1990-91 fiscal year are over \$2 million.

Mr. Speaker, net debt for general Government programs more than tripled between 1982 and 1988. Interest costs quadrupled. Our Government pledged to regain control of spiralling debt and interest costs.

In 1988-89, sound fiscal management and favourable foreign exchange rates helped slow the growth of General Purpose Debt to less than 2 percent, and to below growth in the provincial economy for the first time since 1980-81.

This is a major accomplishment and one which allows us to put increased revenue to work for Manitobans. In the past, when taxes were increased, much of the new revenue went to pay investors in Tokyo, Zurich or New York, instead of to provide programs for Manitobans.

\* (1500)

We have taken advantage of the stronger Canadian and U.S. dollars to convert many of the province's off-shore debt obligations into North American currencies.

The debt management strategy has successfully cut the non-North American portion of our total debt in half, to less than 10 percent from over 20 percent on March 31, 1988. The unamortized foreign exchange fluctuation, our province's exposure, has been reduced from \$666 million on March 31, 1988 to \$67 million at the end of 1988-89. We intend to continue pursuing opportunities for converting even more foreign debt when it is in our best interest to do so.

The province's HydroBond issue is a further step along the path of repatriating debt. We want to put the interest we pay into the pockets of Manitobans. I am pleased that Manitobans have recognized this as a good opportunity to invest and have shown strong support for this bond issue.

Mr. Speaker, total expenditure is budgeted to increase 4.5 percent over last year's Budget, including increases of over 7 percent for both health and education.

Revenue growth was strong in 1988-89. Own-source revenue growth was driven by strength in mining taxes and by tax increases implemented by the former administration. Federal transfer payments were boosted because the strength of the national economy over the past three years increased Manitoba's equalization payments.

Underlying revenue growth will moderate significantly in 1989-90. Growth will be modified as a result of the revenue measures I will announce today. Revenue in 1989-90 is projected to be \$4.679 billion, 7.2 percent above 1988-89 budgeted revenue.

Federal transfer payments are estimated at \$1.6 billion in 1989-90, an increase of 1.7 percent over the amount received in 1988-89, but 14 percent over the 1988-89 Budget estimate.

Equalization has been the primary source of federal transfer payment growth in recent years. As Manitoba's economic growth fell below the national average, our relative fiscal capacity fell. Equalization payments from the federal Government increased significantly in 1986-87 and 1987-88. As more information became available on those years, substantial adjustment payments were made to Manitoba. These brought 1988-89 equalization receipts to \$863 million, of which \$111 million pertained to prior years. These figures reveal how poor our economic performance had been compared to other provinces.

As Manitoba's economic performance moves closer and surpasses national economic performance, growth in equalization entitlements moderates.

Federal funding for health and higher education has been constrained several times during this decade. Growth in these transfers continues to fall further behind growth in health spending. National economic growth and the equalization program have eased the immediate pressure on provinces. However, the unilateral reduction in growth in health and higher education transfers proposed in the federal Budget further limits provincial capacity to provide funding in these areas. As provincial Health and Education Ministers stressed at their February meeting in Moncton, improved interprovincial and federal-provincial co-operation in the search for more cost-effective ways to provide programs is essential.

Between 1982 and 1988, Manitobans experienced an unprecedented series of tax increases. When we took office, Manitoba's major personal and business taxes were at or near the highest levels among the provinces.

Manitoba businesses were increasingly disadvantaged in relation to their competitors in other jurisdictions. How many industries and jobs were lost because investors looked at Manitoba's tax regime and the deteriorating fiscal situation, and located elsewhere? Lost incomes and higher personal taxes meant that consumers had fewer dollars to spend, and local businesses suffered.

Our first goal is to restore confidence in Manitoba as a desirable place to live and to invest. Last year, we started to bring Manitoba's taxes back into line with other Canadian jurisdictions. Manitobans and people who want to invest in Manitoba must be assured of a competitive and stable taxation system.

After the tax increases introduced in the recent federal Budget, the need for tax relief has become more acute.

The fiscal progress achieved since last August enables us to introduce additional tax reductions this year. For the second consecutive year, tax reductions will exceed increases by a large margin.

Personal income taxes will be reduced by over \$61 million,, about 5 percent of Manitoba's personal income tax revenue.

I am particularly pleased to announce a significant tax cut for families who are supporting children. The Manitoba tax reduction will be increased from \$50 to \$250 for each dependent child. The reduction for disabled dependents over 18 will also be increased to \$250.00.

This measure will reduce the income taxes paid by Manitoba families by \$28 million annually. The tax saving is related to income, and benefits moderate- and middle-income taxpayers.

For a taxpayer supporting a spouse and two children, the saving is:

- \* \$400 at \$25,000 in net income;
- \* \$300 at \$50,000; and
- \* \$0 at \$65,000 net income.

For a family of four, the Manitoba tax reduction fully offsets the 2 percent net income tax up to \$32,500 in net income. The enriched Manitoba tax reduction will now offset the entire net income tax for an additional 25,700 taxpayers. We believe it is entirely appropriate that income tax relief should focus on families supporting children.

In addition, the basic Manitoba income tax rate will be reduced from 54 percent to 52 percent. This measure benefits all Manitoba taxpayers. It reduces income taxes collected from Manitobans by a further \$33 million, and it moves top marginal tax rates in Manitoba closer to those in other provinces.

\* (1510)

In combination, the tax cuts introduced in this Budget will reduce Manitoba income taxes by:

- \* \$50 for a single senior citizen at \$25,000 of net income;
- \* \$82 for a single taxpayer under 65, earning \$30,000; and
- \* \$514 for a family of four at \$40,000.00.

Along with other provinces, Manitoba has proposed an alternative to the current tax collection arrangements including the 2 percent net income tax with the federal Government. We value the benefits of a streamlined tax compliance and administration provided through

a single collection mechanism and tax return. The provincial proposals preserve the benefits of the unified income tax system and allow sufficient flexibility to address the needs of their citizens. Provinces are now waiting for a federal response.

In the meantime, Manitobans will benefit from the reductions announced today. The two measures reduce personal income taxes for 470,000 Manitoba taxpayers and remove over 8,000 Manitobans from the provincial income tax rolls altogether.

The reductions are retroactive to January 1, 1989. Manitobans will receive the benefits when they file 1989 income tax returns next spring. The lower taxation levels will also be reflected in source deductions beginning in January 1990.

The payroll tax exemption will be doubled from \$300,000 to \$600,000 and reduced for employers with payrolls between \$600,000 and \$1.2 million.

Almost 1,400 additional employers, 36 percent of those now taxable, will be exempt from the payroll tax, and a further 900 will have their tax reduced. Only 1,600 filers, or 3.8 percent of the 43,000 employers on the tax roll, will continue to pay the full rate of this insidious tax.

In just two Budgets, we have eliminated this tax for 70 percent of the taxable employers in Manitoba.

These measures take effect January 1, 1990, and cut the payroll tax by \$3.8 million in the current fiscal year, and by \$23.6 million in 1990-91.

The special 3 percent corporation capital tax on financial institutions was introduced by the former Government to ensure that financial institutions made a fair contribution to public services at a time when they paid little or no income tax. As a result of federal tax reform, the income tax paid by these institutions is expected to rise significantly. Provided these expectations are realized, some movement on the capital tax may be appropriate.

The Canadian financial services sector is heavily concentrated in central Canada. Honourable Members are aware of the high and rapidly escalating costs faced by businesses and their employees in central Canada. If the taxes applied to this sector are set at fair and reasonable levels, I believe that Manitoba, and Winnipeg in particular, will be seen as an attractive alternative to the high-cost environments elsewhere.

Accordingly, I will be discussing the possibility of a conditional capital tax reduction with the Finance Critic of each Opposition Party. A conditional reduction could allow financial institutions, which after national tax reform pay significant income taxes, to reduce their effective corporation capital tax rate to a floor rate of, say, 2 percent. Institutions which did not pay income taxes would continue to pay the full 3 percent rate.

I will wait with interest to hear the views of both Opposition Parties on such a proposal. I hope to be in a position to proceed with a measure along these lines later this year.

The 1988 Manitoba Budget indicated our intention to attempt to resolve anomalies in the allocation of

corporation income taxes co-operatively with the mining industry.

I am pleased to announce that the industry has responded positively, and expects to take appropriate steps to deal with the income tax allocation issue shortly.

However, in line with our discussions with the industry, and as an interim measure, a special 1.5 percent mining tax, with a sunset provision, will be imposed for 1989. It will be rescinded before the end of the year if the anomalies are resolved sooner.

This measure is expected to raise \$13 million in the 1989-90 fiscal year.

Our Government is committed to introducing significant new initiatives to protect the environment. To further reinforce these measures, we will introduce a system of taxes and charges on products which can be reused or recycled.

Within the alcoholic beverage sector, the current system of deposits and refunds has proven effective in minimizing waste and maximizing reuse and recycling. It is estimated that in excess of 95 percent of domestic beer bottles are presently returned. The deposit system on reusable soft drink bottles has shown similar success. However, reliance on non-reusable beverage containers with minimal effective recycling is continuing and, in some cases, growing.

This problem will be addressed directly, starting with non-deposit alcoholic beverage containers, effective August 1, 1989.

**Some Honourable Members:** Hear, hear!

**Mr. Manness:** This specific environmental protection tax will be collected by the Manitoba Liquor Control Commission. Rates will be imposed and collected as part of the current prices. The tax will be restricted to containers for which a deposit/return system is not in place.

A discussion paper outlining this environmental protection initiative will be released by the Minister of Environment later this summer. Consultations will be undertaken with Manitobans on the initiative and on further development of the environmental protection tax system.

Transportation is the key to economic activity in our province. The Budget increases resources for highway construction to a record level. To help pay for these initiatives, the gasoline tax will be increased by 1 cent per litre effective September 5, 1989. In addition, diesel fuel used off-highway will be taxed at the same rate as fuel used on-highway. This will eliminate the need for dual storage requirements facing contractors who use diesel fuel both on- and off-highway.

Marked fuel for farm consumption will remain fully exempt from provincial fuel taxes. As an additional measure of support to farmers, tax paid on aviation fuel used for crop spraying will be refunded.

To encourage the use of less polluting fuel, the tax preference for gasohol produced in Manitoba will be

increased from 2.5 cents to 3.5 cents per litre effective September 5, 1989.

These measures are expected to increase revenue by about \$8 million in 1989-90, and by \$14.4 million in a full year. Again, all of the additional revenue will be used for highway and road construction in the province.

The tobacco tax will be increased by 1 cent per cigarette effective July 9, 1989. Rates on fine-cut tobacco will be increased to 4.3 cents per gram.

These measures are expected to raise \$14 million in '89-90 and \$21 million in a full year.

Two amendments will be made to the Retail Sales Tax Act. The current sales tax exemption for purchases by Treaty Indians on reserves will be broadened to include telephone charges.

The tax rate on imported and domestic beer will be equalized at the 7 percent rate presently applicable to domestic beer. This measure will come into force concurrently with the application of the environmental protection tax on non-returnable liquor containers. There will be no increase in liquor prices as a result. To assist the tourism and hospitality sector again this year, provincial markups on spirits will not be applied to supplier cost increases.

**An Honourable Member:** Hear, hear!

**Mr. Manness:** The measures announced today deliver on our commitments to the people and the businesses of Manitoba. They represent a significant step toward renewing confidence in our province's future.

Mr. Speaker, long-term planning is an essential element of fiscal responsibility. Manitoba is now on course toward balanced budgets. However, provincial revenue can be subject to year-to-year volatility and, on the expenditure side, debt-servicing costs vary significantly with financial market conditions.

When revenue growth is unusually high, deficits may be sharply reduced or even eliminated, giving rise to pressures for program spending or tax cuts on the basis of a single year improvement. Too often, neither added program spending nor tax cuts can be sustained in the longer term.

On the other hand, when revenue falls below trend levels, deficits escalate sharply, resulting in higher interest costs. There may be pressure to restrain or curtail program expenditure, more than appropriate for economic conditions, and not in keeping with the legitimate needs of Manitobans.

In 1988-89, overall spending was 1.5 percent below the amount budgeted, in large part due to decreased public debt costs. Exceptional growth was recorded in Manitoba's revenue primarily due to mining taxes, equalization payments and the full-year impact of tax increases imposed by the former Government. Total revenue is currently estimated to have been \$4.541 billion, that is, \$502 million or 12.5 percent above the 1987-88 fiscal year.

\* (1520)

We could have used all the exceptional revenue for long-term debt or deficit reduction in 1988-89. Indeed, we could have shown an overall budgetary surplus in 1988-89 of \$48 million. However, we recognize the exceptional nature of this revenue and have chosen to apply it toward longer-term fiscal objectives.

Therefore, today I am announcing the Government's intention to establish a Fiscal Stabilization Fund. The fund will cushion volatility in provincial revenue and assure a more stable basis for provincial fiscal decisions.

Two hundred million dollars of the exceptional revenue received in 1988-89 will be deposited in the Fiscal Stabilization Fund.

The fund will be used as a fiscal shock absorber, helping the province avoid disruption to programs or major tax increases. Withdrawals from the fund may be made when revenue is constrained or there are exceptional expenditure requirements.

Further exceptional revenue will be added to the fund. For example, in 1989-90, the net proceeds generated by the sale of Manfor Ltd. will be deposited.

This year, \$50 million will be withdrawn from the fund. The planned withdrawal offsets a portion of lower revenue growth in 1989-90, in part related to negative prior years' adjustments in revenue from federal sources. The fund will provide the fiscal stability for the Government to maintain existing programs and services, while at the same time proceed with tax reductions appropriate to Manitoba's circumstances. Indeed, tax reductions would not have been possible at this time without the introduction of the Stabilization Fund, a summary of which is included in the Budget documents. Legislation will be introduced shortly to establish the fund.

Last year I said:

"My goal in 1989 will be to hold overall spending increases near the rate of inflation."

I am pleased to report that this year's total budgetary expenditure is estimated at \$4.766 billion, up 4.5 percent from the 1988-89 Budget. Manitoba's spending growth is the lowest of any provincial Budget presented this year.

Revenue is estimated at \$4.679 billion, up 7.2 percent. The deficit, including both capital and current spending, at \$87 million, is less than half last year's Budget, and the lowest total since 1979-80.

The net debt for general Government programs is projected to decrease by \$220 million during the year, the first such decline in 20 years.

For the 1990-91 fiscal year, departmental projections suggest that in order to continue all existing programs, an increase in expenditure to just over \$5 billion, or about 5 percent over this year's Budget, would be required. The revenue forecast shows revenue growth of about 2.5 percent over the '89-90 Budget, which would bring the total to about \$4.75 billion. I believe this is a conservative estimate, which reflects reduced transfer payment growth, a possible decline in mining tax revenue and the full-year costs of tax reductions announced in this Budget.



The deficit would be in the range of \$250 million to \$290 million. In these circumstances, a further draw on the Fiscal Stabilization Fund could be warranted to protect important programs for Manitobans, and to maintain the tax reductions announced in this Budget, as well as continuing the course of fiscal responsibility.

This Government is committed to providing Manitobans with more information on our fiscal planning. This is the first Manitoba Budget to provide an additional year's projection. This projection is of a preliminary nature. However, I believe the information is important to responsible discussion and decision-making.

As Governments shape their fiscal plans, they are affected by a variety of often competing considerations—the need to preserve a high standard of service, the need to provide competitive taxes, and the need to eliminate deficit spending. Longer-range fiscal planning is an essential tool this Government is using to balance those competing forces. In our administration, departmental managers must pay attention to the long-term consequences of their proposals.

Mr. Speaker, the Government will continue to take responsible action—action which will provide stability in the province's fiscal affairs; action which will ensure that tax dollars are wisely spent on vital public services rather than wasted on ill-conceived proposals or squandered on interest payments; action which will reduce taxation, making Manitoba a more competitive place to invest and create jobs, as well as a more desirable place to live, work and prosper.

Thank you.

**Mrs. Sharon Carstairs (Leader of the Opposition):** Mr. Speaker, I move, seconded by the Member for Fort Rouge (Mr. Carr), that debate be adjourned.

**MOTION presented and carried.**

### MESSAGES

**Hon. Clayton Manness (Minister of Finance):** Mr. Speaker, I have two messages from His Honour the Administrator (Alfred M. Monnin).

**Mr. Speaker:** Order, please. I would ask Honourable Members to stand.

The Honourable the Administrator of the Government of the Province of Manitoba transmits to the Legislative Assembly of Manitoba Estimates of sums required for the services of the province for Capital Expenditures, and recommends these Estimates to the Legislative Assembly.

Dated the 5th of June 1989, Winnipeg.

L'Administrateur du Gouvernement de la Province du Manitoba, transmet à l'Assemblée législative du Manitoba, le budget des sommes relatives à l'immobilisation qui sont requises pour l'administration de la Province et recommande ce budget à l'Assemblée législative.

Fait à Winnipeg le 5 juin 1989.

The Honourable the Administrator of the Government of the Province of Manitoba transmits to the Legislative Assembly of Manitoba Estimates of sums required for the services of the province for the fiscal year ending the 31st of March 1990 and recommends these Estimates to the Legislative Assembly,

Dated in Winnipeg, June 5, 1989.

\* (1530)

L'Administrateur du Gouvernement de la Province du Manitoba transmet à l'Assemblée législative du Manitoba le budget des sommes requises pour couvrir les dépenses relatives à l'administration de la Province pour l'année financière se terminant le 31 mars 1990 et recommande ce budget à l'Assemblée législative.

Fait à Winnipeg le 5 juin 1989.

**Mr. Manness:** Mr. Speaker, I move, seconded by the Minister of the Environment (Mr. Cummings), that the said messages, together with the Estimates accompanying the same, be referred to the Committee of Supply.

**MOTION presented and carried.**

**Mr. Manness:** Mr. Speaker, I move, seconded by the Minister of Northern Affairs (Mr. Downey), that this House will, at its next sitting, resolve itself into a committee to consider of the Supply to be granted to Her Majesty.

**MOTION presented and carried.**

**Mr. Manness:** Mr. Speaker, I move, seconded by the Minister of Culture, Heritage and Recreation (Mrs. Mitchelson), that this House will, at its next sitting, resolve itself into a committee to consider of Ways and Means for raising of the Supply to be granted to Her Majesty.

**MOTION presented and carried.**

**Hon. James McCrae (Government House Leader):** Mr. Speaker, I move, seconded by the Minister of Natural Resources (Mr. Enns), that the House do now adjourn.

**MOTION presented and carried** and the House adjourned and stands adjourned until 1:30 p.m. (Tuesday).