

THE LEGISLATIVE ASSEMBLY OF MANITOBA
8: 00 o'clock, Tuesday, April 15, 1969

INTRODUCTION OF GUESTS

MR. SPEAKER: Before we proceed I'd like to introduce our young guests in the gallery. We have 25 students of Grade 9 standing from the Whitemouth Collegiate. These students are under the direction of Mr. Bryan Goodman and Mr. James Kul Baba. This school is located in the constituency of the Honourable Member for Springfield.

On behalf of all the honourable members of the Legislative Assembly I welcome you all here today.

GOVERNMENT RESOLUTIONS

MR. SPEAKER: The adjourned debate on the proposed motion of the Honourable Minister of Finance and the proposed motion of the Honourable leader of the Opposition in amendment thereto. The Honourable Member for St. John's.

MR. CHERNIACK: Mr. Speaker, I feel sure that our Leader Russ Paulley was very pleased when he read - as no doubt he has already done - the words addressed to him by the Honourable the Minister of Finance in introducing his budget and I'm sure that he was very much gratified to know the esteem in which he was held by the Honourable Minister, and I believe by all members of this House. We in our party, of course, are proud of the fact that our Leader has merited this type of recognition and we can only say, and I personally can only say at this stage, that I am indeed sorry that he is not here to be present at the formal presentation of our party's words on the budget. I think we missed him particularly this year because we did not have the benefit of his counsel and advice when the Caucus discussed the presentation. If this measures up to his expectations then he can take credit for having trained us well; and if it doesn't measure up to his expectations then he knows how much we miss him and how soon we want him back.

Well, Mr. Speaker, we've read the budget address and I think found that this year it was somewhat less boastful than last year. It gave less precise comparisons or statistics than it did last year, which took away the opportunity which we had last year of challenging certain statements, of questioning certain conclusions. But, it is of course in a more acceptable tone this year than it was then. The economic review seemed to me to be still somewhat smug, with a certain amount of trite expressions of confidence which I'm not sure are justified in the light of the report of the committee on the Target for Economic Development. This was already commented on by the Honourable Leader of the Official Opposition and I intend to touch on it briefly a little later.

I wonder, Mr. Speaker, if we could consider for a moment what a report to the shareholders of Manitoba should contain, because indeed this budget speech was a report to the shareholders of this--I think that the Leader of the Official Opposition used that expression as well-- shareholders of Manitoba. I'm wondering whether it wouldn't be right in starting out this type of speech, or report given to us by the Minister, if it wouldn't have been right to first state objectives. What are the objectives of the operation by the government? What is the purpose that we have in meeting together? It seems to me in trying to establish what the objectives are of government, we have first to identify the fundamental objectives, and then we have to consider the plans of government which must be related, and must relate all activities to the objectives. There must be explicit consideration of future year fiscal implications with all pertinent costs being considered. There must be a systematic analysis of alternative ways of meeting the governmental objectives.

The first page of volume 2 of the Carter Report states pretty precisely its view and I'd like to cite briefly from it: "The very existence of a nation requires that its citizens, through their government, be able to defend themselves against aggressors, maintain law and order and provide minimal public services. This requires that the government command some goods and services, and beyond this basic minimum public facilities and services must be made available and public programs instituted to transfer purchasing power from some individuals and groups in the community to others in order to create an environment in which economic activity can expand rapidly and in which the generally accepted social and cultural needs of the people can be met. The government can satisfy these collective needs only if it commands the use of goods and the services of men."

(MR. CHERNIACK cont'd)

That's the way it was put in the Carter report. I personally would think in broader terms of just generally describing the purpose of government which to me is to share the management and the cost of provision of common services on the basis of equitable taxation; to make possible a more and more useful, happy and productive life for every Manitoban; to create a healthy and rich environment for our children to become more positive members of our society; to be able to enjoy life, to fulfil their expectations.

I feel, Mr. Speaker, that it's not amiss to start a discussion on the report to the shareholders in that vein. I suggest that to accomplish these objectives we must develop industry and we must make full use of our resources and our skills, always though keeping in mind the ultimate purpose which is not to create private wealth but to create public benefits. So to go further into this approach, how would we measure our economic progress? Is it by this kind of report that we are today considering, or should we have an inventory taken that would reveal our progress towards our goal? And we suggest to the Minister for consideration, for the future, that the following is the type of information the economic review ought to be concerned with. We think that the fact that one-quarter to one-third of our population is in the poverty level, according not to our assessment but to that of the Economic Council of Canada. Where in the report would we find recognition of such a vital factor?

When we look at the report and we find extensive economic charts, we I think ought to look for charts in addition thereto for the last ten years the way these charts are which will give us information revealing let us say a comparative per capita wage related to the cost of living; unemployment figures which would include also partially unemployed, housing units per person, the growth, the development. How many people are on welfare; how many people are unemployables on welfare; how many are employables on welfare; how many are on welfare and do not fall into those two categories? And not an averaging, but a classification, a classification related to the proportion of population for each group, in their income groups, their geographic locations, their education, other recognizable distinctions between them. Shouldn't a report like this reporting on, as it should, on the health of the province tell us the number of doctors per person we have had in the last ten years; the number of hospital beds per person compared with the number of chronic beds that are available for our population; the number of dentists per person; the number of nurses per person; the amount of mental health facilities; the amount of teachers per student; the amount of library books per student; the amount of students there are in elementary, in secondary, in post-secondary and technical vocational education; the amount of recreational facilities we have, the growth in them; community centres, be it acres per person, be it in geographic locations; playgrounds that are available; our progress in electrification; our progress in the building of highways as related to people; our progress in the various communication media that are available to make people, Manitobans, relate one to the other.

Many of the bits of information that I'm suggesting, and this is by no means a complete list, are available if one looks for them in various reports of various departments. On the other hand, many statistics may not be available, and indeed if they are not available to the government they ought to be made available. I'd like to suggest to the Minister that consideration be given to the enacting of legislation such as there is in the federal House to require statistical information from various sources, from all sources, to be made available to government to assess its progress and the progress of its people.

Mr. Speaker, I listened with interest, as I think all of us did, to the Honourable the Leader of the Official Opposition last night when he dealt with his review of Manitoba's economic situation. I believe it was carefully assessed and well presented and I see no value in repetition at all and I will avoid dealing extensively with that aspect of the budget, although of course it is a matter of great interest and importance. One matter of great concern however, is the fact that there is a crisis in this government. I believe the government has come to a standstill and is very firmly entrenched in its footsteps. The only way it appears to be moving, I believe, is a tendency to slide backwards downhill.

I have an editorial which appeared recently in the Winnipeg Free Press, April 8, 1969 editorial which says: "All roads lead out of the province." The editorial decries the fact that the Hudson Bay Mining and Smelting has announced its move, it suggested this is only one of a number of other recent departures. It refers to the loss in our business community of various top men and mentioned specifically, Duff Roblin, Ralph Hedlin, Rod McIsaac and Arthur

(MR. CHERNIACK cont'd). . . . Morrow, and indicates the danger that it feels exists. The final sentence reads: "It would be a refreshing change to find the province turning its attention to the loss of our skilled workers and providing leadership in a program to help preserve Manitoba's most important economic asset, which of course is its people."

I think we should also bear in mind that we've lost some top civil servants in recent times. I don't yet have the return for the Order which I filed some time ago asking the particular questions of the changes that took place in senior staff, but I'm aware of the fact that we have lost Baldur Kristjanson, that we've lost Cyril Rosenberg, that we've lost Clare Smith; we're all aware of the fact of the public resignation of the head of probation, the Juvenile Court, Ken Calmain. These are people with greatly needed skills and I venture to state that the reason they left is because of their disgust with this government's inability to move forward in a progressive manner. And I speak now of people who have been involved in top administration in the planning field, in the programming field, in the research field, and I think that's a very serious loss and one which will be difficult to overcome.

A superficial review of the TED report, Mr. Speaker, seems to indicate an undercurrent throughout of very great concern in the report. The projections compared with the target are some thing which one has to look at very seriously. There's an indication that Manitoba's population will increase 17.3 percent up to 1980, that is at a time when Canada's growth is expected to be 25.6 percent, and of course it is an obvious figure that if Manitoba wants to maintain, only maintain its present proportion, that it must achieve a rate of growth of 25.6 percent instead of 17.3 percent. That is what is pointed out.

On the personal income per capita basis the province is now four percent below the Canadian level and the projection is that the gap will widen up to 1980. The target of course is an increase of slightly more than 60 percent over the 1966 figure. The Canadian level of net output per employee is projected to reach \$78,033 by 1980, an increase of slightly less than 30 percent. The Manitoba projection appears to be the same as the Canada projection, but of course there's a lower level throughout. The target is to bring Manitoba's net output above that of Canada which will require an increase of 45 percent to reach \$83,003.00. And as to gross output the target represents an increase of over 100 percent over the 1966 level. Canada's gross national product is expected to reach an increase of 92 percent, but it appears from the graph, if you look at it, that Manitoba's projection is of a lesser increase than Canada's projection, and of course it is much less than Manitoba's target.

The report would seem to indicate that the projection for Manitoba of growth in most areas is at a lesser rate than the projection for Canada, and if matters are allowed to continue as they are now then Manitoba's position will deteriorate as compared with the Canadian picture. The target of course is set on such a basis as to equal or exceed Canada's projection, and we must therefore view how realistic the targets are and how government is to go about to to attain the target. We agree with the Liberals that the report must be studied, that it must not be neglected, that we should proceed immediately and that all members of the community - and that of course means all members of this House - should be prepared to become involved in it.

There's a great deal to be read in the report, a great deal to be studied and benefitted from and yet one must look at it objectively and assess it piece by piece, part by part, because I think that we must always in assessing it think again of the ultimate objectives of government at all times, and that is, while I am not too sure is readily ascertainable from reading the TED report, that that is what they had in mind; because I'm fearful that just economic advances alone for its sake alone is not sufficient unless we bear in mind the purpose of it for the benefit of Manitobans. So we must evaluate each recommendation on the basis of benefit to the community, not just immediate, not just short range, but the long range benefit for the entire community and not for certain of its individual members.

I want to deal only, in connection with the TED Report, with what has been said on the Manitoba Development Fund--and now I'm reading from the news service which makes it easier for me to report than the voluminous book that we have--and the news service brings to our attention the statement that, "Bold new measures to make Manitoba Development Fund an even stronger agency for economic growth is recommended." They are needed to provide an expanded supply of equity capital, to increase the availability of loan capital to sound ventures through acceptance of higher debts to equity ratios and even in some cases to make working capital available on terms more favorable than those in the conventional market. Engaging in

(MR. CHERNIACK cont'd) research to develop major new products, undertaking financial packaging and counselling." The suggestion is that loans could be made of capital on second mortgages for special types of projects. "And the creating of a new pilot enterprise program within the MDF which should aim at stimulating and developing selectively a series of high risk young enterprises which would emphasize product innovation, attract new capital to Manitoba industry and dramatize Manitoba's advantages as a seed bed for new ventures."

Mr. Speaker, it was not long ago when we on this side and particularly in our group, were pleased that the government had brought in Part II of the Manitoba Development Fund Act indicating that it was prepared to give authority to the Manitoba Development Fund to go into projects on its own, not just to wait for private enterprise to come along with hat in hand and say would you help us out, but to actually go out and exploit and develop on its own, and possibly then when it's ready to go, be prepared to turn it back to the people to be operated on whatever other basis possible. But as far as I'm aware, it has not been done.

I might remind you that in the report of the Manitoba Development Fund, and I don't mean the current report, I mean the report filed over a year ago, that there was an evaluation made by Vergil C. Sullivan of Minneapolis, a financial consultant, who said that "venture capital, if it is truly such, cannot be financed on a purely business basis at eight-nine percent." He said "the Fund has used security and equity requirements which seem quite stiff to the writer." He believes that some consideration should be given to relaxing some of these requirements and as a development fund cannot seek the normal venture capital rates it should meet this problem through equity participation, enabling it to average a higher return through the success of the enterprise invested in. And his concluding line is: "I think the time has now come to take a second step towards greater flexibility." This letter was written October 10, 1967, a year and a half ago. Is the Minister of Industry and Commerce, is the Minister of Finance in a position to tell us that action has been taken on this recommendation? Can we know that there has been work done along this line because I'm not aware of any and I have had occasion recently to criticize the board for bringing in a report showing no losses, because if you're showing no losses you're not showing any real venture. I think that it is important that this Fund not be making money on interest but developing the economy of the province by actual concerted effort for growth.

If we could turn for a moment to the Budget Report itself, Mr. Speaker, I'd like to refer to a paragraph at the top of Page 5, which reads as follows: "Concerted government action is an essential requirement for easing the pressures of rising prices. These pressures fall with particular severity on those groups which can least defend themselves - people with low or fixed incomes, such as widows and old age pensioners. Thus it is even more difficult to understand the Federal Government's urging that taxes available to provinces and their municipalities be further increased since those are the ones that usually add most to the burdens of these people. It is these Canadians who most of all must depend on all governments working together to make their security real and lasting." A fine statement and the statement is followed with a complaint: "Provincial initiative in the personal income tax field has been blocked most effectively by the Federal Government's two percent Social Development tax. By preempting the major direct tax field in this way, the Federal Government has left little room for equitable provincial tax changes." What does that mean? Does that mean that the Federal Government took this course and made it impossible for this province to carry out its tax policy independent of that? Preempting to me means taking away from, and I would like to know just how it was taken away. Is that exactly the amount that was available to be taken? Two percent? Not two and a half? Not two and three quarters but two, and that once having been taken this government can now throw up its hands and say, "We're stuck; we can't do anything for these poor people with low or fixed income such as widows and old age pensioners. We can't do it because the Federal Government has preempted our opportunity." What nonsense that is, Mr. Speaker, what nonsense! To try and fool the public by making statements like this is nonsense and to speak in terms of not therefore being able to do anything for those people who are paying property taxes in the worst form - and apparently it's admitted by the Honourable Minister that this is a bad form - to say the Federal Government made it impossible is nonsense.

The Honourable Minister of Finance did us the courtesy of distributing a speech which he made to the Kiwanis Club on February 17, 1969, where on Page 3 he stated he spoke about "the real confrontation, excessive taxation" - and I'm quoting now: "and particularly where

(MR. CHERNIACK cont'd) "this directly affects the community and business and social development is clearly unacceptable." Well that's a pretty fair statement. Excessive taxation is unacceptable. "Any responsible government must see this, yet Mr. Trudeau twice in three days" - he's the bad man in this skit, Mr. Speaker - "yet Mr. Trudeau twice in three days on the record of the Constitutional Conference specifically invited the Premier and myself to raise taxes in Manitoba." Think of that, Mr. Speaker. An outsider invited this government to raise taxes in Manitoba. Indeed Mr. Trudeau went further. He suggested that we raise property taxes. Obviously the Prime Minister simply doesn't know where our homeowners and their local governments are finding themselves today. Clearly the Prime Minister has never had to balance a municipal budget for schools, fire, police, sewers, water, roads, transit, social services and all the rest. How long is it since members in the Cabinet have had to balance a municipal budget for schools, fire, police, etc., etc., etc.? Because clearly in their actions they have, if they ever had to balance such a budget, have forgotten the problems involved.

They complain about the Federal Government, and what did they do about the problem? Well they're forgiving estate taxes, at least they're planning to. They're charging a flat premium tax this year - that they are doing. They're proud of their balanced budget - oh we balanced our budget. They're promoting tax concessions to industry and real property taxes are rising, they're going up. Do you realize, Mr. Speaker, that the government is doing to the municipalities exactly what it complains the Federal Government is doing to it? Do not do unto others what you would not have done unto yourselves.

In the budget speech, Page 28, the Honourable Minister speaks of the early years, the early years of this province's history. -- (Interjection) -- No, no, the beginning years. "The local authorities of the young community were given responsibilities of a purely local nature." Who gave it to them? The province. "Services tied closely to individual citizens such as education, health and welfare fell within this definition." So now we can blame somebody of almost a hundred years ago who turned over to the municipalities this responsibility. -- (Interjection)-- Riel - is he the man to be blamed? I don't think they'd go quite that far, these days. They might have done it some years ago but these days it's not the politick thing to do. However, I'm not suggesting they would have done it at any time.

The budget address states that "with the change it means that the province now participates more directly in the provision of these services at the local level." Education. Well whose responsibility is that, Mr. Speaker, if not that of the Government of the Province of Manitoba, and their previous Leader recognized it. He spoke May 19, 1966, which date seems to have some relationship to some happenings that happened shortly thereafter, and possibly caused the Premier then, Premier Duff Roblin, to speak in Carman, Manitoba. And he assigned there top priority to finding a way of shifting the cost of education from the property owner to the general taxpayer. And he stated, he told 135 delegates to a meeting of the Manitoba Urban Association that the Provincial Government would spare no effort in transferring the cost of public schools to provincial and federal tax resources, said land tax is no longer a suitable vehicle to pay for the large costs required today. I wish the Minister of Education would read back to this, that that was an election in which he was concerned. I wish the First Minister would check back to see whether he is changing the goal that was set by his predecessor which was: "And the ultimate goal," again I'm quoting, "is to transfer all education, all education costs to provincial and federal tax resources." That was the intention of the government as spoken, as cited by the former Prime Minister only three years ago, and every man who is sitting in the House on that side today ran on the platform as set by the Honourable First Minister of that occasion.

So how do we look at it now? Well we can take a look at Page 28 of the budget where the government takes pride, I'm sure, and I recall how the Honourable the Minister of Finance spoke with pride as he read: "The added support for local government accounts for the entire 5 percent increase in expenditures for 1969-1970 over the total now expected as final for 1968-1969." That sounds like an awfully awkward and cumbersome phrase but it's awkward and cumbersome because he wanted to be able to tell the exact fact, the exact truth. He did not want to be accused of having misinterpreted for the reader what the situation was. So it is quite correct.

What is correct is that from his report the province expects to collect \$18 million more than it did collect this last fiscal year. But the fact, is, it is going to be collecting an awful

(MR. CHERNIACK cont'd) lot more than it expected to collect in this last year, and that is understandable because natural growth takes place. As we develop, as we grow, there's a certain amount of inflation, but generally with growth income increases, expenditures increase. And if we look at the difference in estimate, we find that in 1969 the estimate is 313,664,000 and some dollars; in 1968 it was \$288,255,000-odd, so that we find that the increase in estimate is 25 million or almost \$25 1/2 million and let me point out that that includes some 3.9 millions of dollars which are being taken from the worst form of taxation and poured back into the government's general revenue, and we know we're speaking now of the flat premium tax. And then the government in addition to that 25 million is -- I'm speaking now of the portion of the estimates before shared costs are added in -- then the government is prepared to forgive, at least not ask for in the estimates, \$4,850,000 in estate taxes. So now we've got \$30 million more that this government would get in natural growth, Mr. Speaker - natural growth from last year to this year. And then they're getting another \$10 million in additional shared costs.

So we find there's a \$40 million difference; not 18 million which was suggested as being the increase but 40 million, which is the increase when you compare apples with apples, estimates with estimates, not actual with budget. There's a difference, and the difference is the difference between 18 million and 40 million, and the 18 million which is enumerated as being paid to local governments, on Page 29 of the budget, "includes a recognition that the local governments have to have higher costs in order to justify the higher grants that they're receiving from the government." The mere . . . is the statement, "Basic growth in school grants, basic growth in other aid; total of that is about \$8 million." Obviously if it was \$8 million more chargeable to the province it had to be proportionately at a larger sum chargeable to the school boards.

Now we start looking at some of the details in the budget and we note the question of the Medical Health Services Program. The introduction of this program by both the federal and Manitoba governments has required that each of them raise additional monies, and we should look at the impact of taxation imposed by each to see who is really affected by it, and we should start out by agreeing that the increased cost of health care will be attributable to those people who were not previously covered by either voluntary or government supported MMS, and there will be probably some increased demand by greater utilization based on the knowledge that all the people will, for the first time, know that they're entitled to equal medical care with others regardless of their ability to pay for it. So the Federal Government put in a social development tax, 2 percent tax, which has a ceiling of \$120.00, which means that any man who has an income, a taxable income of over \$6,000 is free of any greater tax, and that's certainly not an ability-to-pay tax; that is a regressive form, because it is proportionate only up to a taxable income of \$6,000. That's not really ability to pay and for that I fault the Federal Government and for that I fault the Liberal Party which is responsible for the actions of the government -- I don't mean this Liberal Party, although they should have a voice too in what goes on federally; they work for the same candidates. And I fault them, and I say it's wrong, but this government went them one better. This government decided to charge its share of the medical cost, some 29 million as compared with the Federal Government's 26 million, by taxing the people of Manitoba with a flat premium tax, payable at the same amount per year by all except those who are indigents well below the poverty level. And as long as they are taxable at all, income taxable, people know they're paying the exact amount; the lowest income taxable man pays exactly the same number of dollars as the highest, the wealthiest. The members of the Cabinet pay the same amount in premium as does the man who pays \$2.00 in income tax. And that is most regressive and that is most inexcusable, especially since we got an admission - and I call it an admission - from the Minister of Health that 3.9 million was found to be transferred, as I've stated earlier, from the premium tax into general revenues, and therefore again reduce the burden on the higher income tax payers.

I find also in the estimates an additional \$6 million from the government for shared costs, the purpose of which is not readily apparent, but there is money coming in but this government found that it wished to tax the additional sums out of the premium tax.

Now we know that both the Liberals and the Conservatives were opposed to the Medicare program in its present state. They don't like it the way it is now. They're both going to try and live with it; they're going to work for it; but the fact is they don't like it, and the fact is that the Conservatives are charging a flat rate premium to all, the Liberals want a graduated

(MR. CHERNIACK cont'd) premium - but premium it is. Now we know what has happened with hospital premiums. In this budget report we find that in 1968 the Federal Government contributed 35 million to the Hospital Services program; this year it will be 39 million, an increase of about 10 percent. The Provincial Government contributed 21 million last year, 21 million this year.

But what about the people they're supposed to serve? Last year they contributed 13 1/2 million, this year 24 million - almost double. This is the government that balances its budget and doesn't increase taxes, but the people who pay hospital services premiums have been almost doubled in their premiums, but -- but there has been a postponement. At the time of the introduction of the Medicare premium there has been a postponement of hospital premiums. Last year it was increased. This year they discovered they've already accumulated too much money in premiums. We're going to wait; we're going to take a breather because we've collected in advance so much so we're going to release you. We're going to give you a moratorium. For how long, Mr. Speaker? I suggest for long enough so that the people will not realize what hit them when the medical premium came in, because the fact is that the postponement of payment came about the same time as the imposition of medical premiums, and I'm suggesting that this was done to make the Medicare premium more palatable. And next September is it? Well June, I think for some and September for others, both premiums will come and hit home and people will have to be reminded then that this is the government that balanced the budget, did not increase taxation. And the excuse given by the Honourable the Minister of Finance is that this is a premium and it's just like any other insurance premium. We know what insurance premiums are. Well, let me point out to him that insurance, the purpose of insurance is to share the risk, and the extent of participation in that sharing of the risk is directly related to the dollar value of the risk. If he thinks his life is worth -- in life insurance standpoint -- \$10,000. . . .

MR. EVANS: Ten million.

MR. CHERNIACK: Ten million I'm sure, but I'm sure that even he couldn't afford to buy \$10 million worth of insurance and I don't think any person is justified in that . . . so we'll say \$10,000, and if I think I'm worth \$15,000 in life insurance because of my responsibilities, I pay more in premiums than does the Honourable the Minister of Finance and that's because we put a dollar value on the coverage that we want and on the risk that we are taking. If we want to buy burglary insurance we relate the dollar premium to the risk involved and to the amount involved. If we want fire insurance we don't insure all houses equally. Houses are insured on the basis of their replacement value or of the value of the house. Are you prepared to value lives and health in such a way as to have differentials? Because that's what insurance is, and if you're going to have differentials then I suppose you have to assess whether one person is entitled to a better medical care than another and maybe then you'll have to be consistent; say, "Well if you pay a slightly higher premium you'll get a slightly better form of medical care." It's nonsense to suggest that the introduction of Medicare was in order to equalize risk. Health is not a personal matter in that way; it's a social problem; it has social responsibilities; and that's why we're in the business of Medicare. At least that's why we're in it from the standpoint of principle. We're in it from the standpoint of both the Liberals and the Conservatives because we were forced into it. That's why we're in it.

Universal insurance for the health care of all is the way I put it, Mr. Speaker. So that we find that the federal-provincial formulas for financing this, the federal takes 2 percent of the income up to a maximum of \$120.00. After \$120 they said "enough, don't pay more" and our government says "we want it equal". And let me point out some figures on this. A family man who pays \$120.00 a year in Medicare premium, if he pays an income tax of \$50.00 a year - \$14.00 of that \$50.00 is his provincial portion - by paying the hospital and medical - that's a total of \$204.00 a year - he's paying 1,600 percent of his provincial income tax into this flat premium tax. Is he a man who hasn't been taxed additionally by this province? If a man pays \$200.00 in income tax, of which \$50.00 is provincial, then he's paying in premium 400 percent of the amount he pays in provincial income tax. If he pays \$500.00, of which provincial is \$125.00, he's paying 160 percent in premium tax of his income tax. But when he gets to paying \$900.00, his provincial is \$250.00, and incidentally it may be a matter of interest that the man who pays \$900.00 is the man who earns \$7,200 which happens to be a figure that should be familiar to all of us as an earning figure, he's only paying 80 percent of his income tax in terms of premium. And if he earns \$15,000 a year he pays \$3,600 in income tax of

(MR. CHERNIACK cont'd) which provincial is \$1,000, his premium is only 20 percent of the amount which he pays in provincial revenue. That is what is forced on the taxpayers, on the lower income groups; by this government.

And let us note that the government is gaining that \$4 million that we talked about, the \$3.9 million - and it may be more; it's an estimate - and at the same time this government is prepared to give up its share of estate tax which in the last budget was \$4.85 million -- it's an item somewhat comparable -- oh yes, they say that if they don't make the deal they want to make with the government they'll equalize; they'll do what Alberta is doing for the people of Manitoba; and I hate to say what Alberta is doing for their people in terms which I would like to say because it would not be considered the most polite.

We've pointed out that this is the government which produced a revenue bill in 1964 which consisted of increases in taxation, licences, liquor profit, gasoline tax, heat tax -- the Honourable the Leader of the Official Opposition had a much more lengthy list because he noted it all down. I didn't trouble. And in doing that, it was adding to its general revenue from 5 to 7 million dollars a year which was not being passed on to real property taxpayers in spite of the former Premier's promise that it would be used for the purpose of reducing real property tax. This is the government which took money which it promised to real property taxpayers and kept it for its own general revenues. This is the government which introduced a sales tax which was purported to relieve the cost of education - they even wanted to call it an education tax - used to augment the Provincial Government's general revenue. Every measure that has been taken by this government when taxes were imposed was done in such a way as to reduce the proportionate burden on the high income people, and I think that's supported by all the figures we've given.

So let's look at this estate tax forgiveness proposal, Mr. Speaker. The Honourable the First Minister spoke on this on March 7th and he said: "I would like to make it clear I haven't changed my view on the manner in which the estate tax should be dealt with. I am not a believer and really what I believe is almost false incentive for the location of capital in different jurisdictions." He is now saying the incentive is false. He will say later, I think, that if the incentive were not false it was justified, but he's saying it's a false incentive because people don't know when they're going to die and they don't know what the government will be doing at that time in relation to estate tax, and that's a good point. And he says that it is something, nevertheless, that "I don't think that Manitoba in a competitive position in development within this country can afford to ignore, and therefore legislation will be presented allowing the action to be taken as necessary in this field." And he states that he hopes, in terms of estate tax, that Mr. Benson might have something to say about this with his White Paper, which we expect some time in June, so that the estate tax across the nation might be equated and that this wouldn't be one of the areas of competition for the location of capital within our country. But he's capitulating; he's saying, "Well that's life. We are going to go along with it."

This is the government which recently turned down a resolution which we presented asking that there be an all-province committee set up to establish standards and to oppose competition as between provinces. The government didn't want that. They defeated our resolution and they are now falling into the same scheme of forgiveness to those who have; tax relief to those who need it not. Let me read just portions of what the Carter Report has to say on the effect of estate tax on sale of business, because I had the honour recently to participate in a television discussion with the Honourable the First Minister where he talked and he said, "It's not the rich people we're so concerned with; it's the people with the small businesses, the small farms, the people who've accumulated a great deal." Well of course we've heard, and we've all heard representations made that estate tax forces the sale of family farms and forces the sale of small businesses. Well what does Carter say? And I quote from Page 476 on Volume 3:

"Many witnesses before the Commission made reference to the impact of estate taxes on the sale of private businesses, particularly sale to non-residents. Although some material was supplied to the Commission it did not lead to any clear conclusions. In none of these cases did the impact of estate taxes seem to have even a minor influence in favour of sale."

And he says further: "It is highly unlikely that sale of business will result from one motive only, and if estate tax is a contributing factor, its impact will vary in each instance. However, assuming the extreme position where business is sold only to meet taxes, the result of the sale may in economic terms be good or bad depending on whether or not it advances

(MR. CHERNIACK cont'd) the future prospects of the company. There is little evidence to support the position that businesses tended to prosper to a greater extent because they remain in the same family." As a matter of fact, as I recall the TED Report, they talk about the garment industry and point out that this may be one of the drawbacks in the progress in that industry.

And Carter says: "It is not the purpose of a tax system to cause businesses to be sold, or to protect them from sale. Taxation should be levied in the most neutral manner possible. This does not mean that if a taxpayer elects to place his resources in such a way that they are not readily realizable he should secure a tax preference over other taxpayers with liquid assets. The tax system should, of course, provide for an orderly realization, subject to the securing of debts to the Crown on the payment of appropriate interest. As long as tax can be readily computed, there seems to be little excuse for the failure by taxpayers to make provision for such taxes as will apply to their estate." And yet we know that it does happen and I do intend to mention that very soon.

I just want to bring to your attention what we are talking about in terms of tax, because there's a great bogey man idea running around as to the impact of estate taxation, so I just thought we should just know something in terms of the present tax, today's estate tax, and the proposed tax, this Benson tax which is not yet enacted, and just realize or assess what the impact is. Firstly, we know that under the present law the estate is not taxable if it's under \$50,000. That's one thing we know.

Another thing we know is that under the proposed law an estate of millions of dollars is not taxable if it passes to the spouse and therefore there is protection for the maintenance of the assets for the both members of the family unit, of the domestic pair. But, under the present law, if there's a wife and let's say there's no children, no dependents, then on a \$100,000 estate the tax is \$6,200 - on \$100,000. If there is no wife and therefore there are only adult children, the tax is \$10,200, some 10 percent of the estate of \$100,000. Let's think of it in correct light. Under the proposed new law, the importance is that there will not be a double tax; that is, there will only be tax imposed once as compared with the present law where the tax would be imposed -- if the husband dies, it passes to the wife; there's a tax payable; five years later the wife dies and it passes to children, there's another tax payable. Under the proposed new law there's no such thing because there's no tax chargeable for the transferance from husband to wife. But under the new law a \$100,000 estate, if there's a surviving spouse only and two adult children, the tax is \$10,800. If there are four adult children the tax is \$6,600. That's what we're talking about in terms of a \$100,000 estate; \$150,000, we're going into the category now of 16 to 20 thousand dollars roughly, in both cases.

Considering that, we should also consider the benefits. We find that estate tax figures in the last few years, the last three years, for Manitoba amounted to in 1965-1966, \$4,583,000; the next year \$6,469,000; the next year \$4,949,000. And I've also been informed that in 1966-1967, 255 estates paid estate tax, 255 in Manitoba; and the figures, I'm informed, vary slightly from year to year. Well there are approximately or close to 8,000 deaths in Manitoba every year, and I have learned that in the probate courts, probates and administrations in the last 12-month period total some 2,300 - that's both administrations and probates together - of which there were almost 1,100 up to \$10,000 in amount, 600 of \$10,000 to \$25,000; 273 of \$25,000 to \$50,000; 159 over \$50,000.00. To whom is this government catering on the basis of these figures?

Nevertheless, I do feel that if a review of estate tax is justified at all, it is justified on the basis of hardship on the lower estate values, such as the small family farm and the small business. We must bear in mind that many of these are unable to provide for orderly liquidation, farmers who have farms that accumulate in value but have no liquid assets, and some consideration has to be given to making payment possible without a forced sale, and I'm thinking not in terms of forgiveness. I'm thinking in terms of postponement; I'm thinking in terms of long term repayment; I'm thinking in terms of making it possible for them to make their contribution to the province.

Well, the Liberals have supported the government. They say fine; we agree rebating estate taxes excellent idea. As a matter of fact they criticized the government for thinking about any dickering or negotiation or anything. They say, "We should have it now," and the leader of that party said it's not in the best interests of western Canada to have uniformity. Oh no. We want to maintain a competitive advantage for the west. That's what he says.

(MR. CHERNIACK cont'd) Well, for how long does he want to maintain it, and who can afford to maintain it longer, the wealthy provinces or the poorer provinces? And if they're right, why haven't they suggested, and indeed why doesn't the government suggest instead of giving back the 75 percent which is payable to Manitoba, how about giving back 125 percent of the monies payable to Manitoba? Is that such an inconsistent statement? You say you're willing to give up \$4.85 million in monies that belong to the province as an inducement. We want to keep wealth here; we want to attract wealth here; we'll give back 75 percent of the amount they paid because the federal government will keep 25 percent. Why don't you give back the 75 percent and at least give back the other 25 percent so that they will not be out of pocket? Give back 100 percent? What that'll cost will be another million and \$620,000, so for 1.62 million you'll be away ahead of Alberta, and what I'm suggesting, if you really think this is so good, give it 125 percent. That'll cost you an additional 1.62 million, so that for about 3 million dollars you've got a real incentive. You're really going to do a job if that's what you want to do. I'd suggest you consider that, because if it's right at 75, surely it's right at 125, and it'll only cost you \$3 million more and \$3 million is something that is less than the 5 million you're giving away; it's less than the 3.9 million that you're collecting from the lower groups in the flat premium tax. Consider that, will you?

And while you're considering that, let us consider your attitude on this give-away program, and let's for a moment refer to the Carter Report on Page 11, Volume 2, which says, when talking about objections of a tax system, "It should be a goal of the tax system to avoid tax concessions to particular industries and to particular kinds of income. While the efficacy of special treatment can be judged only in the light of the particular circumstances, such tax concessions are always inequitable, are frequently inefficient, tend to distort the allocation of resources and erode the tax base. Generally speaking, subsidies should be used rather than tax concessions. The combined effect of sales taxes, corporate income taxes, property taxes and the present personal income tax rates and base, is such that low income individuals and families pay higher taxes than is equitable when compared to middle and upper income individuals and families." What would they say if they were considering your premium tax as well? How much stronger would they put this attack on your form of taxation. "The present income tax base excludes so-called capital gains and gifts, both of which increase economic power, and hence the ability to pay of those who receive them."

. . . . cont'd on next page

(MR. CHERNIACK Cont'd.)

And what does the Honourable the Minister of Finance have to say about give-away programs? Let me refer you to Page 12 of the Economic Review. At the bottom he says: "The possibility of basic and fundamental federal tax changes in connection with mining activities is a matter drawing deep concern from this government and others. Anything done to reduce the attraction of investment in mining could be particularly damaging to Manitoba's regional development. Strong representations to the federal government on this matter of vital concern will continue to be made by the government of Manitoba." Any thought of increasing the burden of the mining companies is a horrible thought for this government, a government which collects, what is it, \$2 million in royalties from the natural resources, the mining resources of this province. I don't know, but I'm guessing that the Liberals agree because I think their position on this type of approach is the same.

And now, Mr. Speaker, I want to deal briefly with the dominion-provincial problems that we have, and the one thing I fail to understand is a statement made by the Minister of Finance, a statement made a number of times, and I only wish I remembered the figures but I know he'll correct me when I go wrong. "We in Manitoba pay to Canada \$450 million, and what do we get back? Two hundred...."

MR. EVANS: Two hundred and fifty.

MR. CHERNIACK: and fifty million. We leave 200 million somewhere apparently, because that's simple arithmetic. We Manitobans pay 450 million to Canada; we get back 250 million; and the next question, of course, is: where is the other 200 million? Why don't we get that back? Well Mr. Speaker, are we not Canadians? Do we not have a responsibility on a Canadian, on a national level? Do we not have -- I'm not enthusiastic about all the programs that the federal government has, but do we not have federal programs for which we should contribute? Should we be thinking in terms of getting back more of what we pay, or should we be thinking in terms of sharing in the resources of the country of Canada, sharing with the poor and sharing with the rich, because we're not all the same and we're not all equal.

Again I go back to the Carter Report where he deals with goals of the tax system. I want to refer to two of them: "The transfer of resources through the federal government from rich to poor provinces so that the residents of the latter can, if they choose, enjoy minimum standards of public service without undue tax burdens. For the undivided control of the instruments needed to maintain the stability and growth of the economy if dispersal would reduce control over Canada's collective economic destiny." That's the objective, and what does the Honourable Minister of Finance say in a speech he gave to the School of Commerce Faculty Seminar on -- I don't know when -- I think it's April 1st of this year, and I quote: "By the fiscal sleight of hand of fiscal equivalents, the federal experimenters believe they can keep up the illusion of fiscal sharing while effectively denying all room for manoeuvre to the provincial government." You'll note that this has a familiar ring already. "If a man is given a new and expensive task to perform and is given an increase in pay to cover only part, then he can't be said to have more income for other things; in fact he has less. That is what the federal policy of opting out with the inadequate fiscal compensation will be doing to the provinces. They'll be left with growing tax and shrinking resources, and of course such a policy frees the federal treasury to engage in new experiments. If the province attempts to retrieve a balance by cutting programs left abandoned by Ottawa or refusing to participate in new federal initiatives, then the taxpayers find that they continue to pay either in lost service or for a service they're not getting."

So Mr. Speaker, I sympathize with his position. I can understand it. I don't quite understand why it is a loss in service, if indeed the government feels it's not able to continue to give it, that it's not a loss in service in the sense that somebody is taking away something that they're entitled to. Apparently it's something that the government in its wisdom feels it can no longer afford because it has priorities. That's not an uncommon word around here. But I am informed -- and I think national health grants were referred to -- that in the national health grants the federal government at no time gave a guarantee for continuation for more than one year at a time. That's my information. But I know that once embarked on a program it's difficult to cancel it and, as I say, I do sympathize with the Minister and his problem, and I agree that pressure must be put on the federal government to arrive at a proper reassessment of dominion-provincial responsibilities and fiscal authority, but I say that the constitution must serve needs of today and cannot be considered sacred to the extent that we have to bicker about whether or not to change it. The important thing is to work together towards it.

(MR. CHERNIACK cont'd.)

But I question whether the obstinacy shown by our Premier at the last conference really accomplished a meeting of minds. Would it have been such an awful thing to get the language matter out of the way and then deal with the bread and butter? Or was it a failure to have a policy on that issue that determined the Premier's course of action? The fact is that we are very unhappy with Prime Minister Trudeau's attitude to future fiscal matters, but we are also very concerned with the Weir-Evans demand from the federal government that there should not be any entering by the federal government into the provincial field without consultation on joint program changes. Because of the fact that Canada is able to tax the wealthy provinces as well as the poor and pay back to the poorer provinces a larger percentage of federal taxes, that is paid in by the provincial taxpayers, it is of more and more benefit to the province, to this province, that more and more of the provincial costs shall be borne by the federal government on a national basis. Our province should be among the last to complain that we're getting monies raised on a national basis for provincial purposes. That's what the Carter Commission has discussed, and that's apparently what the Honourable the Leader of the Official Opposition says. Well then, I wonder if he doesn't agree that the demands made by this government in this regard play right in the hands of Prime Minister Trudeau, because he made it clear ever since he ran in the federal election campaign that it was his desire to return the federal government to those fields which are limited for federal jurisdiction under the BNA Act, and to leave the provinces alone. That's what he said he wants and I think this government is playing right into his hands.

Trudeau would like them to come. He would like Messrs. Weir and Evans to appear to invite him to withdraw from education and health services. This would be of great detriment, but the danger is there because the demand for consultation includes the power to veto; the power to veto means the power to cancel, and cancellation is what would hurt a province like ours. It seems to me, Mr. Speaker, and to our group, that the present direction of federal government policy and of this provincial government's policy with respect to federal-provincial relations must be viewed with a jaundiced eye. It is inconsistent; it's contradictory and threatens to erase the small steps we have taken to establish national standards of social security. Instead of the one Canada promised by Mr. Trudeau, we are likely to have ten Canadas, ten restless and competing Canadas. The attempt to compartmentalize the constitution, to build walls between federal and provincial function at a time when it is increasingly apparent that more areas of joint jurisdiction must be created, may lead to a fragmentation of the nation. This results from seeing Canada in legalistic instead of social terms. It fails to see and recognize that, from the point of view of the people of Canada, there's little value in one country on paper and ten in social fact, with existing provincial and regional disparities worsened in the field of social security and social welfare as well as in economic and educational opportunities.

I want to conclude, Mr. Speaker, with a quick summary of our attitude, the New Democratic Party's attitude on financial problems. We propose that we should encourage development for the benefit of Manitobans that interprovincial agreements shall be made not to compete on give-aways. That there be removal of special treatment for special groups such as mining and more particularly life insurance. That we remove the burden of education, health and welfare from real property and place it on general revenue. That we raise provincial general revenues from greater participation in resources revenue by way of partnership; by increased ability to pay taxes such as estate taxes and personal and corporate income taxes in the higher level; by healthy dominion-provincial associations to provide a greater and more equitable share of federal income based on ability to pay; by capital gains tax. And we also believe that we must consider reductions, rebates, greater exemptions in sales tax, income tax and estate tax among the low income groups.

Mr. Speaker, I propose to move an amendment. In previous years we have used the method of deleting the entire Liberal amendment and substituting for it one with wording that suits us better. This year we felt that the Liberals had presented a motion which is acceptable to us as far as it goes - we feel it ought to go a little further - and in my amendment I will be indicating certain additions to be made in various places of the Liberal amendment, so that for clarity, Mr. Speaker, I will first read what will be the motion as amended by us, assuming it is passed by this House, which would be the Liberal motion as amended by the New Democratic Party, and then it would read:

(MR. CHERNIACK cont'd.) . . .

"That this House regrets that

"1. After 11 years in office this government, while constantly increasing the tax load on citizens of Manitoba, has failed to promote sufficient economic development through active participation in the ownership and development of the resources on behalf of Manitoba, either jointly with others or independently if necessary.

"2. While claiming last year and again this year that it will hold the line on taxes, this government has proceeded to increase taxes substantially by devious means.

"3. In particular this year, this government has loaded almost \$4 million additional taxes on to Medicare premiums, while at the same time it proposes to rebate approximately \$4.85 million in estate taxes to be given to the three percent of the population which has the most wealth in Manitoba.

"4. In establishing premiums as the sole method of financing Medicare, it has failed to consider ability to pay and is taxing most heavily those citizens on fixed and low incomes instead of financing the total provincial Medicare cost out of general revenues.

"5. While blaming the Federal Government on the one hand for insufficient financial consideration, and blaming the municipalities and school boards on the other hand for taking up too great a share of provincial income, this government has failed to consult with both municipal councils and school boards on financial matters and has failed to provide them with sufficient aid or tax areas to enable them to reduce property taxes by adopting the principle that services to people such as education, health and welfare shall be paid by provincial revenues raised on the basis of ability-to-pay taxation.

"6. That the government has failed to blueprint the future development of Manitoba in line with proper governmental objectives,

(a) by failing to relate the factors affecting human betterment such as doctor-nurse, bed-patient ratio, student to teacher and resource material ratio, families per housing unit, adequacy of recreational facilities and the like to the program for economic development.

(b) by failing to give proper emphasis to the sociological needs of Manitobans.

(c) by failing to deal with the current farm income crisis and to establish an effective agricultural products marketing research program to generate the orderly sale of farm produce.

"7. The government is acceding to and encouraging present federal tendencies which lead to the creation of ten restless and competing Canadas instead of one Canada working for the benefit of all Canadians."

Mr. Speaker, I think you will find in reviewing this amendment that I have not covered all that was in the amendment but I can only assure members of this House that we have other members of our Party who are quite prepared to explain to the House the purposes and objectives of those points on which I have not dealt.

And therefore, Mr. Speaker, I beg to move, seconded by the Honourable Member for Ethelbert Plains, that the amendment be amended:

1. By adding at the end of paragraph 1. thereof the following words: "through active participation in the ownership and development of the resources on behalf of Manitoba, either jointly with others or independently if necessary."

2. By adding at the end of paragraph 3, the following: "while at the same time it proposes to rebate approximately 4.85 million in estate taxes to be given to the three percent of the population which has the most wealth in Manitoba."

3. By adding at the end of paragraph 4, the following words: "instead of financing the total provincial Medicare cost out of general revenues."

4. By deleting the words "hold the line on property taxes" appearing at the end of paragraph 5, replacing same with the following: "reduce property taxes by adopting the principle that services to people such as education, health and welfare shall be paid by provincial revenues raised on the basis of ability-to-pay taxation."

5. By adding at the end of the said amendment the following:

"6. That the government has failed to blueprint the future development of Manitoba in line with proper governmental objectives, (a) by failing to relate the factors affecting human betterment such as doctor-nurse, bed-patient ratio, student to teacher and resource material ratio, families per housing unit, adequacy of recreational facilities and the like to the program for economic development; (b) by failing to give proper emphasis to the sociological needs of

(MR. CHERNIACK cont'd.) Manitobans; (c) by failing to deal with the current farm income crisis and to establish an effective agricultural products marketing research program to generate the orderly sale of farm produce.

"7. The government is acceding to and encouraging present federal tendencies which lead to the creation of ten restless and competing Canadas instead of one Canada working for the benefit of all Canadians."

MR. SPEAKER presented the motion.

MR. FROESE: Mr. Speaker, I beg to move, seconded by the Honourable Member for Wellington, that the debate be adjourned.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried.

MR. EVANS: Mr. Speaker, I move, seconded by the Attorney-General, that Mr. Speaker do now leave the Chair and the House resolve itself into a Committee to consider of the Supply to be granted to Her Majesty.

MR. SPEAKER presented the motion.

MATTERS OF URGENCE AND GRIEVANCES

MR. SPEAKER: The Honourable Member for Portage la Prairie.

MR. JOHNSTON: Mr. Speaker, I wish to speak on a point of personal privilege. Two weeks ago I requested of the government a certain action with respect to the Assiniboine River, namely the fact that there was large amounts of debris and trees lying on the river bank and in the forebay at the Portage Diversion. Tonight on television and on the radio . . .

MR. LYON: I think there's a point of order . . .

MR. SPEAKER: Order please.

MR. LYON: I rise on a point of order to inquire, first of all, as to whether or not my honourable friend is speaking on a point of privilege, and if so, he's had ample opportunity to raise it prior to this time. He has, as I believe, exhausted his right to speak on a grievance going into the Committee of Supply and I don't think that ordinarily the Chair entertains privilege at this time.

MR. SPEAKER: I was on the point of enquiring whether it was a point of privilege or whether or not . . .

MR. JOHNSTON: Mr. Speaker, I abide by your ruling but I'm getting a little bit fed up with the assistant Speaker taking it upon himself to tell you what to do all the time. However I abide by your ruling, Mr. Speaker, but I'm fed up with four Speakers trying to instruct you on your duties. -- (Interjections).

MR. SPEAKER: Order.

MR. JOHNSTON: May I carry on?

MR. SPEAKER: The Honourable Member for Portage la Prairie may proceed.

MR. JOHNSTON: Thank you. As I was saying, about two weeks ago I warned the government of the fact that, with the impending flood threat on the Assiniboine River in the vicinity of the Portage Diversion Inlet structure, there were large amounts of debris, logs, etc., lying on the cleared area of the river bank, and I asked at that time that the proper Minister instruct his forces in that department to have this debris removed. According to television reports tonight and radio reports tonight, this debris has drifted down river with ice and is a large factor in the ice jams that are causing the flooding down river from Portage la Prairie, and I would like it known that the government in this regard was incompetent and I hope that they recognize this fact and do something about it.

MR. LYON: Mr. Speaker, I rise on another point of order because my honourable friend . . . you say it has reference to Item 113 of Beauchesne's Parliamentary Rules and Forms, Fourth Edition, 1958, you will see clearly there that there is no matter of privilege in what my honourable friend has tried to interject under the guise of privilege. He was merely making a political statement that he found convenient for his own purposes to make at this time under that guise, and I would suggest, Sir, that if you look at the rules you will find that he was clearly out of order.

MR. SPEAKER: Are you ready for the question? We are dealing with the motion of the Minister of Finance.

MR. SPEAKER put the question and after a voice vote declared the motion carried and the House resolved itself into a Committee of Supply with the Honourable Member for Souris-Lansdowne in the Chair.

COMMITTEE OF SUPPLY

MR. CHAIRMAN: No. 6. Manitoba Crop Insurance Corporation - \$638,900 - Resolution 11 -- passed.

MR. WATT: Mr. Chairman, I think probably there was a question asked just before the Honourable Member for Gladstone sat down the other day. He asked for the number of claims that had not been finished or adjusted as of the present, and there are about 768 of these claims that are not completed that will be in spring. Up to this point there has been \$2,100,000 paid out in indemnities from the 1968 crop.

MR. CAMPBELL: Mr. Chairman, did the Minister mention what the total number of claims was?

MR. WATT: No, I'm sorry, I haven't got that figure but I could get it.

MR. SHOEMAKER: Mr. Chairman, I wonder if my honourable friend would tell the House the amount of reserve that has been set up to take care of the outstanding claims.

MR. WATT: Well, I think I pointed out the other day that the amount of reserve is set out in the Crop Insurance Report as of 1968, March 31st. I haven't got the figure at hand of the reserve at the moment.

MR. CHAIRMAN: The Honourable Member for Carillon.

MR. BARKMAN: Mr. Chairman . . . to ask the Minister if he knows in what particular area -- is this particularly in just a certain area or does this happen -- I understand that it's all of Manitoba you're referring to but have you specific answers to what most of these claims are from?

MR. WATT: No, I couldn't really give a specific answer. I think there's quite a bit of it up in the Minnedosa area; there's some of it out in the Reston area where I live, and there's -- I think there's some distributed over the whole province to some extent.

MR. CHAIRMAN: No. 7 - Manitoba Agricultural Credit and Development Corporation. The Honourable Member for Rhineland.

MR. FROESE: Mr. Chairman, under this particular item I notice from the estimates that they're calling for an increased amount to be spent under this item. Last year it was \$718,000, this year it's \$921,000. Then, too, Investment Service Charges are listed here as \$2,503,588, less recoverable from the Agricultural Credit and Development Corporation \$1,581,695, and the balance is taken from the Consolidated Revenue account. Mr. Chairman, I would like to know from the Minister what is the situation at the present time. We have changed from the former Manitoba Agricultural Credit Corporation to the new corporation, and what is the actual situation now? Did the government incorporate all the assets of the former company into the new one? Is that the situation? We have no balance sheet from the new corporation as I can see in the report of March 31, 1968, and I would like to see a copy of the report of the present corporation before I'm willing to pass on this item, because I feel, having made the other organization defunct and inoperative, that certainly there must have been a considerable saving effected because you wouldn't -- because last year at a certain time no longer were applications received by the former corporation and the new one only went into effect later on in the year. So what happened during this time of dormancy that none of them were functioning? Certainly there must be surpluses accumulated during that particular time, and what was the staff doing of the corporation during this particular period of time?

Then I'd like to know, too, what has been the experience of the current year which we've just concluded as of March 31st, 1969; what was the amount of money needed for the new corporation; how much did they expend; how many new loans were made; and the amount outstanding in the financial statement of the new corporation. I think, Mr. Chairman, these are questions that should be answered and that we should have knowledge of, because under the estimates we're calling for an increased grant yet we do not even know whether the need is really there and whether this amount will be needed. We have no knowledge as to what the operations have been, and could we hear from the Minister before we proceed on this item? I notice from the former Agricultural Credit Corporation, that had assets of \$40,515,000. This is quite a substantial amount and I think somewhere in the report there was reference made that some of these loans were being farmed off to the banks. Is that correct that the banks have taken over a certain number of these loans? Surely enough, I would like to have an explanation at this particular time.

MR. WATT: In answer to the last question, Mr. Chairman, that press report was

(MR. WATT cont'd.) incorrect. There were no loans that were actually farmed out to the banks and there were no loans made through the banks . . the corporation -- that is, to the new corporation, and that up to this point there have been no loans made through the corporation or through the banks backed by the corporation, to my knowledge. The increase here is incurred by increased cost in money. Actually the corporation pays, I believe it's half of one percent more for the money to the Provincial Treasury than what they collect. There's a service charge charged and then the difference between the money that the corporation are charging to the farmers and what they have to pay to the Provincial Treasurer has increased. It accounts largely for the increase in the appropriation for this year. I think that -- Oh, I think the honourable member asked what activity there has been in the old corporation. As of the dissolution actually of the corporation of last session, there were applications for loans at that time and money was loaned out to the extent of about \$2 million to cover the -- I believe that is the figure, roughly \$2 million, to cover applications for loans that had been applied for before the time that we cut off loans through the old system.

MR. FROESE: Mr. Chairman, that doesn't completely answer my questions. I still would like to know. As I mentioned before, the former corporation had assets of 40 million. To what extent have these assets been decreased by the payment of loans outstanding, and as you mentioned you will be requiring an increased amount to subsidize the loans outstanding. Have you not been decreasing considerably from last year, because farmers are required to make the payments on their loans outstanding. Surely there must have been a certain amount of repayments take place so that an increase in the subsidy would not be required. If I understand correctly, the total amount or the additional amount requested in the estimates is for increased subsidies, if that is the case. Could he also tell us, has the old corporation been incorporated into the new organization? What is the situation here?

MR. WATT: There's no change in the status of the corporation, the change is simply in the type of loaning as is converted from long term direct loans to short and interim loans. The status of the corporation is not changed. No new money was put into the corporation.

MR. FROESE: Mr. Chairman, if we cancel out by legislation an Act which was the Manitoba Agricultural Credit Corporation and make it defunct and set up a new one, doesn't this require the incorporation of one corporation into another then if you have it still functioning?

..... continued on next page

MR. CHAIRMAN: The Honourable Member for Brokenhead.

MR. SAMUEL USKIW (Brokenhead): Yes, Mr. Chairman, I would just like to know the disposition of the facilities and the staff, whether or not, for example, they have been reduced at all. If they have been where have staff members gone? Have we employed in another service with the department or just what is the present situation with respect to some of the professional people that we had in that department, namely the field men, the appraisers. What is the disposition of . . .

MR. WATT: There's been a change in the staff. -- (Interjection) -- No reduction, no.

MR. FROESE: Well, Mr. Chairman, I want my questions answered. Does this mean then, Mr. Chairman, that we will get another report next year on the Manitoba Agricultural Credit Corporation? Is it still in operation as such? Are we not presently having a different organization?

MR. CHAIRMAN: The Honourable Member for Lakeside.

MR. CAMPBELL: Mr. Chairman, I would think that it would help not only the Honourable Member for Rhineland but all the rest of us who sit on this side of the House if the Minister could give us a financial statement, as far as he is able to, of the year that has elapsed since the report that has been furnished to us. This report is to March 31, 1968, the report that we have. That is more than a year ago and I think all of us would like to know when we're dealing with sums of money of the size of these, what is the situation in that year that has elapsed in between.

I understand the Honourable Minister to say, Mr. Chairman, that the corporation remains intact. As I remember what the former Minister said last year and what the legislation said, is that the work of the corporation is going to be changed from direct lending and long term area to guarantee by other lenders. Now, it would seem to me that it is unlikely, even in the light of the change in the agricultural situation that has taken place in that year, it would seem to me to be unlikely that many of those guarantees will have yet come home to roost on the government doorstep or on the corporation's doorstep and that we won't likely be called upon to implement the guarantee in any of those for some time. So I share the concern of the Honourable Member for Rhineland as to why even larger sums are required this year for the purposes of this corporation. Isn't it a fact that now this corporation will be continuing to receive the payments on principle and interest under the long term contract that they had, that those receipts will be coming in. On the other hand, it would seem likely that no guarantees, or few if any, will have yet had to be implemented so I would have expected a smaller amount to be asked for in this coming year. Instead it seems that we're being asked for more. Now if the Minister could give us a statement, and it wouldn't just be an interim statement, because a whole year has passed and I don't suppose that he's got it right up to date, but if he could give us the experience to the end of 1968 it would relieve us to some extent.

The other thing that seems to me to be unusual, Mr. Chairman, is that even though it would seem to a layman that the activities of this corporation have been considerably reduced, I understand the Minister to say that the whole staff is still intact. Surely there can't be as much work for the corporation when they are simply backing the notes of some other people rather than engaging as a primary lender. I would think these are some of the questions that are exercising the minds of the people on this side of the House and if the Minister could enlighten us as to exactly what has been happening in the meantime and what the prospects are for the next year it would probably facilitate the passage of this particular item.

MR. CHAIRMAN: The Honourable Member for Brokenhead.

MR. USKIW: Mr. Chairman, just to follow up on the remarks which I introduced a few moments ago and the remarks of the Honourable Member for Lakeside, I would like the Minister to explain to the House whether the staff members are going to play somewhat of a different role in the sense that that new role will require the department to keep all members of the staff on, because as was pointed out that all we are going to do is to back up the notes. And further to that, Mr. Chairman, the Minister has indicated when he introduced the Bill that this is primarily for the purpose of providing capital to those applicants that have been rejected in other credit areas, whether they be federal, private or otherwise. It would seem to me that there would be a very small demand on this particular department and I'm unable to rationalize the idea that the full staff is to be maintained. I would just like to know what they are going to be involved in that may require. . . .

MR. CHAIRMAN: The Honourable Member for Gladstone.

MR. SHOEMAKER: Mr. Chairman, in the estimates that are before us there are actually

(MR. SHOEMAKER cont'd.) only two items here, one \$2,503,588 for investment servicing charges, which I guess is the interest on the money that the government has borrowed and then reloaned to the farmers. Then the next item is a figure of \$1,581,695 recoverable from the Manitoba Agricultural Credit and Development Corporation, which I assume is the interest they have received from the farmers. So it would appear then that the government is losing a million dollars a year on the operation. I wonder if I'm correct in my assumption there.

Another question that I would like to have an answer for Mr. Chairman, is this, and I'm at the moment referring to a propaganda sheet that was issued on May 24th last year headed: "New program plan for farm production. "The new corporation," and they're talking about the new agricultural corporation, "would use the capital of the credit corporation, approximately \$40 million for agricultural development projects by providing facilities for agricultural programs and for guaranteeing certain kinds of production credit loans. There would be a phasing-out of long term offered by the credit corporation but the new corporation would process all applications for long term credit received up to May 31, 1968."

Now if they're going to use the \$40 million, and that's what this article says here, that will be forthcoming from the Manitoba Agricultural Corporation, how much or to what extent would the \$40 million guarantee loans to farmers? I understand that with the Farm Credit Corporation of Canada that one million dollars will guarantee about 10 million, isn't that right? --(Interjection)-- At least 10 million, my honourable friend says. Well, then, if we use 40 million - if we have 40 million in reserve to be used as a guarantee to the lenders, the banks and the credit unions, then using a ten to one ratio this would in fact guarantee nearly a half a billion dollars of credit. Am I right on that score, Mr. Chairman? These are things that I think we should have an answer for. And if they're not going to use the \$40 million to guarantee loans made from banks and other lending institution, then what are they going to use the \$40 million for?

MR. WATT: Mr. Chairman, in answer to the question of the Member from Lakeside, I don't know if I'm in a position to be able to bring in an interim report from the corporation or not. I doubt if I am. Actually the corporation did carry on its work, had, as I pointed out, a fairly large number of applications to process and until the report at the end of the year comes in they're still functioning as the collecting agency and the staff has been maintained.

The Member for Brokenhead brings up a question of the number of the staff being maintained. Actually under the new loaning system all applications still do go through and are processed through the corporation and there are presently I believe 62, as of about a week ago, 62 applications for loans being processed. These are fairly substantial applications, I mean in amounts, and there is, I believe will be as much work and probably more in processing the applications under the new system.

In answer to the Member for Gladstone in respect to the \$40 million, as it comes in as the debt is amortized, I'm not in a position to say what the disposition of this money will be at the moment. But I could get the answer for the Member for Gladstone.

MR. CHAIRMAN: The Honourable Member for Gladstone.

MR. SHOEMAKER: Mr. Chairman, on the other point that I raised in respect to the figures in the estimates before us, the 2 1/2 million and the 1 1/2 million, the difference being one million. Is that the loss on the operation of the corporation?

MR. WATT: Well, it represents part of the money. Actually there's 200 thousand dollars involved there that is the difference in the cost of money, and there could possibly be a portion of it is payments that are overdue at the moment. Again I'd have to get the answer for that.

MR. CHAIRMAN: The Honourable Member for Ethelbert-Plains.

MR. KAWCHUK: Mr. Chairman, I wonder whether or not the Minister would be kind enough to inform me whether he just a minute ago said that all applications are being processed by the staff under the present corporation? Because if I recall correctly, Mr. Chairman, when the new Act was introduced, and I just haven't been able to lay my fingers on it, I was inclined to believe at that time that the only applications that will be submitted to the corporation are the ones that have been refused by the banks and those would be submitted to the corporation. I was just wondering whether the Minister would clarify that point.

MR. WATT: I think all applications will be processed through the corporation.

MR. CHAIRMAN: The Honourable Member for Rhineland.

MR. FROESE: Mr. Chairman, I'm still not satisfied with the answers that I've been getting, because when we deal with the Manitoba Agricultural Credit Corporation and the

(MR. FROESE cont'd.) 40 million that I was referring to, it's referring to a former Act under which the corporation was functioning. We now find in the estimates that we're not referring to the Agricultural Credit Corporation but we're referring to the Agricultural Credit and Development Corporation. This is the new corporation that was set up under a new Act that was brought in, and if I recall correctly there was no allowance made for transfer of the funds from one corporation to the other. The allowances made in the estimates here apply to the new corporation, they don't apply to the former corporation, so I'm at a loss to understand just what has taken place, what has happened. I would still like to have an answer, whether the former corporation has been incorporated into the new development corporation or not, or how come we have this item under the estimates of the development corporation which is a new corporation?

MR. WATT: The name of the corporation has been changed, Mr. Chairman, but my understanding is that they perform the same function except that it is a change in the system and the type of loan. It's a legal point that I'm not prepared to answer as how the transfer of one corporation to another is concerned.

MR. FROESE: Mr. Chairman, it was not a change of name; it was a matter of repealing a former Act and bringing in a new one which in my case is not just a change of name.

MR. CHAIRMAN: The Honourable Member for Lakeside.

MR. CAMPBELL: Mr. Chairman, I would think that no member of the committee would be trying to get details of particular loans or anything of that sort, but I think it would be of interest to a good many of us inasmuch as we have been paying a lot of attention in the House this year to the fact that the farmers face such drastic difficulties on account of the marketing situation. It would be interesting to find out from the corporation the experience as to how collections have been up to date; not individual cases of course, but en masse.

Would the Honourable Minister undertake, Mr. Chairman, to get some up-to-date figures, or at least as up-to-date as he can. We realize they can't be right to within the last couple of weeks, but as up-to-date figures as he can of how the collections have been in the light of these conditions, and then would he at the same time get some information from the folks who operate the corporation as to just exactly what the situation is with regard to these various points that have been brought up. I understand now from the Minister, Mr. Chairman, that the loans still are initiated through this corporation. Apparently a farmer wanting to put through a loan does not go directly to the bank or the credit union. Incidentally, I would be interested in knowing, Mr. Chairman, how many credit unions have been approved under the Act. My recollection is that the Act made provision for certain credit unions to be approved as a lending institution and I suppose it's reasonable to assume that all of the banks are authorized lenders under the Act. If the Minister could bring in some sort of -- because I gather we're not going to finish his estimates tonight -- if he could bring in from the officials some of these facts and figures, I think it would be helpful to this side of the House to understand the situation.

MR. CHAIRMAN: The Member for Ethelbert Plains.

MR. KAWCHUK: Mr. Chairman, I've now found the paper I was looking for and perhaps it would be wise if the Committee took some time at this moment and clarified one point very clearly, and make it abundantly clear not only to the Committee but to the general public in Manitoba, particularly the farmers, because according to this pamphlet I have here in my hand, The Manitoba Agricultural Credit and Development Corporation, February, 1969, on Page 6 under the heading How to Apply for a Guaranteed Line of Credit, under Item No. 1 it says: "Contact a bank or approved lending institution of your choice requesting the line of credit required. No. 2: If the bank or approved lending institution is not prepared to provide without a guarantee the line of credit required, then contact your nearest Manitoba Credit and Development Corporation office where the feasibility of your request will be considered."

Now in view of what the Minister said a few minutes ago that all the applications are now being processed by the Corporation, I'm just wondering whether or not there has been a reverse or change of policy by the government, or what the situation exactly is.

MR. WATT: Well, it's my understanding that the application forms are available at the banks and the applicant, as I understand it, gets the forms and fills them out at the bank and they are then sent to the Corporation for final approval or for screening.

Yes, I would undertake to get those figures for the Committee that the Member for Lakeside has asked. I could say now that there is an increase in deferment of payment right now as of last year. The increase is not great but I could get those figures.

MR. CHAIRMAN: The Member for Rhineland.

MR. FROESE: Mr. Chairman, last year when the bill to incorporate the Agricultural Credit and Development Corporation was brought in, concern was expressed on this side of the House whether the right thing was being done because we knew that our farmers were in need of a source for capital for long-range purposes and that we just had the two main sources. One was the Manitoba Corporation, the other one was the federal organization, the federal Credit Corporation; that these were the two main sources where farmers could get their long-term credit in order to purchase property and farm land and so on. Now, by repealing that legislation, we are limited to the one which is the federal Farm Corporation, and this has placed the Manitoba farmer in a very serious position. It is already responsible for the decrease in value of farm land at the present time.

I can tell you, Mr. Chairman, that farm land values have gone down from \$250.00 to \$150.00 in the matter of one year, and I can also say that to a large extent, by repealing the legislation in Manitoba, that this has been a very large contributing factor to this. The farm land is advertised today for \$150.00 and there are no takers, which was advertised or which could have been sold a year ago for \$250.00 and the people were asking to buy it. They were bidding that. Now they're asking \$150.00 and there are no takers. So it's getting to be a rough situation; and too, that the credit unions in southern Manitoba were assisting farmers in the temporary takeover, or temporary deals, and then in the meantime they made application to either the provincial or the federal Farm Corporation for long-term credit. This worked out very nicely and I think was an ideal situation. Now we are limited to the one corporation and they can be choosy, and if they are, this means that the farmer is out of luck in getting the necessary credit. I would like to refer to one . . .

MR. CHAIRMAN: Maybe the honourable gentleman . . . it's 10:00 o'clock. You can continue tomorrow.

MR. LYON: Committee rise.

MR. CHAIRMAN: Committee rise and report. Call in the Speaker. Mr. Speaker, the Committee of Supply has considered certain resolutions and asks leave to sit again.

IN SESSION

MR. M. E. McKELLAR (Souris-Lansdowne): Mr. Speaker, I beg to move, seconded by the Honourable Member for Winnipeg Centre, that the report of the Committee be received.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried.

MR. LYON: Mr. Speaker, I beg to move, seconded by the Honourable Minister of Finance, that the House do now adjourn.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried and the House adjourned until 2:30 Wednesday afternoon.