



**First Session — Thirty-Third Legislature**  
of the  
**Legislative Assembly of Manitoba**

**DEBATES**  
and  
**PROCEEDINGS**  
**(HANSARD)**

35 Elizabeth II

*Published under the  
authority of  
The Honourable Myrna A. Phillips  
Speaker*



MG-8048

**VOL. XXXIV No. 41A - 2:00 p.m., TUESDAY, 8 JULY, 1986.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Third Legislature**

**Members, Constituencies and Political Affiliation**

NAME	CONSTITUENCY	PARTY
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BAKER, Clarence</b>	Lac du Bonnet	NDP
<b>BIRT, Charles T.</b>	Fort Garry	PC
<b>BLAKE, David R. (Dave)</b>	Minnedosa	PC
<b>BROWN, Arnold</b>	Rhineland	PC
<b>BUCKLASCHUK, Hon. John M.</b>	Gimli	NDP
<b>CARSTAIRS, Sharon</b>	River Heights	LIBERAL
<b>CONNERY, Edward J.</b>	Portage la Prairie	PC
<b>COWAN, Hon. Jay</b>	Churchill	NDP
<b>CUMMINGS, J. Glen</b>	Ste. Rose	PC
<b>DERKACH, Len</b>	Roblin-Russell	PC
<b>DESJARDINS, Hon. Laurent L.</b>	St. Boniface	NDP
<b>DOER, Hon. Gary</b>	Concordia	NDP
<b>DOLIN, Marty</b>	Kildonan	NDP
<b>DOWNEY, James E.</b>	Arthur	PC
<b>DRIEDGER, Albert</b>	Emerson	PC
<b>DUCHARME, Gerry</b>	Riel	PC
<b>ENNS, Harry J.</b>	Lakeside	PC
<b>ERNST, Jim</b>	Charleswood	PC
<b>EVANS, Hon. Leonard S.</b>	Brandon East	NDP
<b>FILMON, Gary</b>	Tuxedo	PC
<b>FINDLAY, Glen M.</b>	Virden	PC
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Hon. Harry M.</b>	The Pas	NDP
<b>HARAPIAK, Hon. Leonard E.</b>	Swan River	NDP
<b>HARPER, Hon. Elijah</b>	Rupertsland	NDP
<b>HEMPHILL, Hon. Maureen</b>	Logan	NDP
<b>JOHNSTON, J. Frank</b>	Sturgeon Creek	PC
<b>KOSTYRA, Hon. Eugene</b>	Seven Oaks	NDP
<b>KOVNATS, Abe</b>	Niakwa	PC
<b>LECUYER, Hon. Gérard</b>	Radisson	NDP
<b>MACKLING, Q.C., Hon. Al</b>	St. James	NDP
<b>MALOWAY, Jim</b>	Elmwood	NDP
<b>MANNES, Clayton</b>	Morris	PC
<b>MCCRAE, James C.</b>	Brandon West	PC
<b>MERCIER, Q.C., G.M.J. (Gerry)</b>	St. Norbert	PC
<b>MITCHELSON, Bonnie</b>	River East	PC
<b>NORDMAN, Rurik (Ric)</b>	Assiniboia	PC
<b>OLESON, Charlotte L.</b>	Gladstone	PC
<b>ORCHARD, Donald W.</b>	Pembina	PC
<b>PANKRATZ, Helmut</b>	La Verendrye	PC
<b>PARASIUK, Wilson</b>	Transcona	NDP
<b>PAWLEY, Q.C., Hon. Howard R.</b>	Selkirk	NDP
<b>PENNER, Q.C., Hon. Roland</b>	Fort Rouge	NDP
<b>PHILLIPS, Hon. Myrna A.</b>	Wolseley	NDP
<b>PLOHMAN, Hon. John</b>	Dauphin	NDP
<b>ROCAN, C. Denis</b>	Turtle Mountain	PC
<b>ROCH, Gilles (Gil)</b>	Springfield	PC
<b>SANTOS, Conrad</b>	Burrows	NDP
<b>SCHROEDER, Q.C., Hon. Victor</b>	Rossmere	NDP
<b>SCOTT, Don</b>	Inkster	NDP
<b>SMITH, Harvey</b>	Ellice	NDP
<b>SMITH, Hon. Muriel</b>	Osborne	NDP
<b>STORIE, Hon. Jerry T.</b>	Flin Flon	NDP
<b>URUSKI, Hon. Bill</b>	Interlake	NDP
<b>WALDING, D. James</b>	St. Vital	NDP
<b>WASYLYCIA-LEIS, Hon. Judy</b>	St. Johns	NDP

## LEGISLATIVE ASSEMBLY OF MANITOBA

Tuesday, 8 July, 1986.

Time — 2:00 p.m.

**OPENING PRAYER by Madam Speaker.**

**MADAM SPEAKER, Hon. M. Phillips:** Presenting Petitions . . . Reading and Receiving Petitions . . .

### PRESENTING REPORTS BY STANDING AND SPECIAL COMMITTEES

**MADAM SPEAKER:** The Honourable Member for Kildonan.

**MR. M. DOLIN:** Madam Speaker, the Committee of Supply has considered certain resolutions, directs me to report same and asks leave to sit again.

Madam Speaker, I move, seconded by the Honourable Member for Ellice, that the report of committee be received.

**MOTION presented and carried.**

### MINISTERIAL STATEMENTS AND TABLING OF REPORTS

**MADAM SPEAKER:** The Honourable Attorney-General.

**HON. R. PENNER:** Madam Speaker, I have a statement. I am today announcing our Government's policy with respect to compensation for wrongfully convicted and imprisoned persons.

Despite the many safeguards in Canada's criminal justice system, innocent persons are occasionally convicted and imprisoned. Recently three cases (Marshall, Truscott, and Fox) have focussed public attention on the issue of compensation for persons who have been wrongfully convicted and imprisoned. In appropriate cases compensation should be awarded in an effort to relieve the consequences of wrongful conviction and imprisonment.

On May 19, 1976, Canada acceded to the International Covenant on Civil and Political rights. Article 14(6) of the Covenant provides as follows:

When a person has, by a final decision, been convicted of a criminal offence, and when subsequently his conviction has been reversed or he has been pardoned on the ground that a new or newly discovered fact shows conclusively that there has been a miscarriage of justice, the person who has suffered punishment as a result of such conviction shall be compensated according to law, unless it is proved that the non-disclosure of an unknown fact, or the unknown fact, in time is wholly or partly attributable to him.

As I have advised the House from time to time senior officials in my department have been working with their counterparts in other jurisdictions to develop a uniform set of guidelines to deal with issue. The guidelines which

I am tabling in the House today are in line with the proposed national policy which has been developed to this point.

I should point out that, in fact, Manitoba will be the first province to formally adopt these guidelines. It is anticipated, however, that some other provinces and the Federal Government will be adopting such guidelines in due course. Without reading all of the guidelines into the record at this time — since the guidelines, as such, Madam Speaker, are being tabled as an attachment to this statement — I wish to stress the following principles which underline those guidelines:

In my view, compensation should only be granted to those persons whose innocence has been conclusive proved, as opposed to persons who were found not guilty. In the Fox, Truscott and Marshall cases all three were found to be innocent.

It follows from that principle that the actual innocence of a convicted person should be established independently, e.g., by the processes provided in the Criminal Code for the granting of a free pardon, or for seeking a declaration to that effect by an appellate court. In no case should a declaration of the innocence of an accused and a decision to grant compensation be a political decision.

It will be seen that the application of the criteria being announced today to the case of Thomas Sophonow does not result in any payment of compensation to him at this time.

The final decision of the Court of Appeal of Manitoba overturning his conviction and directing that a verdict of acquittal be entered was not a finding that he was innocent. It was a finding that, in the view of the Court of Appeal, there were sufficient errors made by the trial judge during the third trial to warrant overturning that conviction. The Manitoba Court of Appeal further held that, since there had already been three trials, it would not be in the interests of justice to direct yet a new trial or fourth trial.

In coming to the conclusion that there should not be a new trial, Mr. Justice Twaddle, speaking for the majority of the Court of Appeal, was concerned that in view of the notoriety the case had occasioned, following three trials, it would be difficult to find a jury of twelve citizens totally uninfluenced by what they had already seen or heard. In his judgment, Mr. Justice Twaddle confined himself to saying that on the basis of the evidence placed before the jury at the third trial, he would not have convicted the accused had he been trying the matter. However, and this is crucial, Mr. Justice Twaddle was not prepared to say that a properly directed jury could not or would not convict the accused.

Indeed, further note should be taken of the record in this case, namely, that two juries did, in fact, convict the accused. Furthermore, following the first trial — at which a jury was unable to reach a verdict — the Court of Appeal itself denied Mr. Sophonow's application for bail as not being in the public interest. At that time, in ordering a new trial, Mr. Justice Philp of the Court of Appeal, with Mr. Justice Matas

concurring, stated: "There is evidence pointing to the guilt of the accused (and) the evidence may well have supported the conviction of the accused."

There has been a formal request from Mr. Sophonow through his counsel, not only for compensation, but for the appointment of a commission of inquiry to examine the conduct of the police in the investigation and the production of evidence in the Sophonow case. In my considered view, Madam Speaker, there is no need for such an inquiry. It should be remembered that there have been three public trials during which all police officers connected with the investigation have given evidence and have been subjected to vigorous cross-examination by experienced counsel. The very public nature of the trials has resulted in intense scrutiny of every step of the investigation and, in my view, has uncovered nothing that would warrant a further inquiry. There is nothing to suggest that legal standards and requirements have not been met. It is hard to envisage an inquiry that could do anything else except try the matter for yet a fourth time, the very thing the Court of Appeal thought would not be in the public interest. This is surely not warranted. Under the policy being announced today it would be open for Mr. Sophonow if he has proof of his innocence to come forth with that proof. Whether an inquiry would then be directed would, of course, depend on the nature of the evidence to be adduced.

Members should be mindful of the need, both to compensate those whose innocence has been independently established and, at the same time, to avoid shackling the timely and thorough investigation of crime and the need to charge persons where evidence at the time warrants the laying of such a charge. A subsequent verdict of acquittal does not mean that either the laying of the charge originally, or the incarceration of the accused subsequently was wrongful, nor does it mean that an accused has been proven innocent. It means, simply, that in the minds of the jury or, as in this case, the Court of Appeal, the Crown has not satisfied the burden placed on it to prove the guilt on the accused beyond a reasonable doubt.

I conclude, Madam Speaker, by emphasizing that the policy we are announcing today, which requires proving the actual innocence of an accused before compensation is paid, is one which, I am sure, will be supported by the vast majority of Manitobans. This policy is consistent with our legal traditions and with our international undertakings.

**MADAM SPEAKER:** The Honourable Member for St. Norbert.

**MR. G. MERCIER:** Thank you, Madam Speaker.

I thank the Attorney-General for providing this statement to the House and to the people of Manitoba.

As we're all aware, Madam Speaker, we live in a society where one of our most important principles is that a person is presumed to be innocent until he is proven guilty.

In the establishment of this policy, Madam Speaker, that an accused person would only be granted compensation where he has conclusively proven his innocence. I must say, Madam Speaker, without getting

into the particular case that the Attorney-General has referred to, some concern over the establishment of a principle that much in favour, as it were, Madam Speaker, in the favour of the state.

I would simply raise some questions — and that I would like to pursue, Madam Speaker, in the Estimates of the Attorney-General — what safeguards are there in such a clear position against compensation; safeguards with respect to people acting in the administration of justice, proceeding on skimpy evidence, Madam Speaker. Under this policy, taken literally, the onus is then shifted to the accused to prove his innocence. It may very well be, Madam Speaker, as we examine the policy that has been announced by the Attorney-General, that we will have to examine it further in order to ensure that individual freedoms and liberties are adequately safeguarded, and that police and law enforcement authorities are not allowed, Madam Speaker, to proceed without sufficient regard for the rights of members of our society. It's a very difficult question, I grant, Madam Speaker, to the Attorney-General. I congratulate him and other officials across Canada for even trying to deal with this vexing problem. I think, however, it is one that we would like to deal with in Estimates of the Attorney-General, and examine this policy that he has announced somewhat further.

**MADAM SPEAKER:** The Honourable Minister of Health.

**HON. L. DESJARDINS:** Madam Speaker, I'd like to table the Annual Report of the Alcoholism Foundation of Manitoba for the year 1984-85, and the Annual Report of the Manitoba Health Services Commission for the year 1985-86.

**MADAM SPEAKER:** The Honourable Minister of the Environment.

**HON. G. LECUYER:** Thank you, Madam Speaker.

I would like to table Supplementary Information for the Legislative Review of the Estimates of the Department of Environment, Workplace Safety and Health.

**MADAM SPEAKER:** The Honourable Government House Leader.

**HON. J. COWAN:** Thank you, Madam Speaker.

I'd like to table the Supplementary Information for the Legislative Review of the Department of Cooperative Development for the year 1986-87.

**MADAM SPEAKER:** Notices of Motion . . . Introduction of Bills.

Before we move to Oral Questions, I have a brief statement to make.

### SPEAKER'S RULING

**MADAM SPEAKER:** On July 3, I agreed to take two matters under advisement:

- (1) whether the Honourable Member for Emerson is required to table the particular

pieces of information to which he referred, whatever they happen to be; and

(2) the rule in respect to tabling of documents generally.

First Rule 29(1), as members know, states:

"29(1) Where in a debate a Member quotes from a private letter, any other Member may require the Member who quoted from the letter to table the letter from which he quoted but this rule does not alter any rule or practice of the House relating to the tabling of documents other than private letters."

The Deputy Speaker in his ruling on July 3 correctly interpreted this Rule as meaning that a Member who has quoted from a private letter must table it and that where a document in debate is not a private letter it may be tabled.

The Honourable Member for Emerson did, voluntarily on July 4, table a number of documents to which he had referred in debate on July 3.

Second, the portion of Rule 29.1 relating to private letters is clear and precise. It leaves no doubt about the requirement where a Member quotes from such letters.

However, the absence in the rule of any definition of "private letter" or "document," and any differentiation between the two, does cloud the issue and cause difficulties with interpretation of this rule.

For example, the Honourable Member for Emerson on July 3 referred to directives, documents, information, legal opinions and letters.

I will, therefore, place the general question of tabling of documents, and the more specific one of the interpretation and application of Rule 29.1 before the Standing Committee on Rules of the House.

Oral Questions.

The Honourable Member for St. Norbert.

**MR. G. MERCIER:** Madam Speaker, prior to Oral Questions, I wish to raise a Matter of Privilege, and I have a motion.

I raise this matter, Madam Speaker, having given prior notice of my concern to the Government House Leader with respect to Members of the Treasury Bench issuing press releases or holding press conferences prior to introducing bills for second reading in the House, and it has been a long-established tradition and parliamentary practice that such conduct should not occur prior to the second reading of a bill, because it is of utmost importance that all Members of the House, all elected representatives of the people of Manitoba, should receive this information first so that they are in a position to examine it and to comment on it.

I raise this issue, Madam Speaker, with respect to the holding of a press conference yesterday by the Minister of Consumer and Corporate Affairs, and the issuance of a press release on amendments to The Trade Practices Inquiry Act, a bill which was just distributed, but not yet introduced for second reading. I raise it, and I wish to assure the Minister of Consumer and Corporate Affairs, Madam Speaker, that I am not raising this issue in any personal way involving him. It has been done by other members, but having given notice of my concern to the Government House Leader, I raise it now.

I know, Madam Speaker, that this has sometimes been a difficult issue for many Ministers to deal with, because they feel they have a bill of utmost importance that they wish to deal with the press on, but I want to point out to members opposite that there is a way of dealing with it. Ministers in the previous government dealt with it under Rule 85, which allows the mover of a bill on first reading to give a short explanation to the House, so that the House can understand the purport of the bill; that has been used, in fact, Madam Speaker, by some Ministers in the previous government. So the vehicle in the Rules is there if the Minister feels it is of utmost importance that he make a public statement prior to introducing a bill for second reading.

In view of the fact, Madam Speaker, that having given prior notice to the Government House Leader, this occurred once again by Ministers opposite, I move, seconded, by the Member for Sturgeon Creek that the Minister of Consumer and Corporate Affairs be requested to apologize to the House for holding a press conference and issuing a press release prior to introducing, for second reading, amendments to The Trade Practices Inquiry Act.

**MADAM SPEAKER:** It has been moved by the Honourable Member for St. Norbert, seconded by the Honourable Member for Sturgeon Creek - the Honourable Member for Sturgeon Creek.

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MADAM SPEAKER:** The Honourable Government House Leader.

**HON. J. COWAN:** Yes, Madam Speaker, I would like to speak briefly to the Matter of Privilege and indicate to you that the matter, which the Member for St. Norbert and the Opposition House Leader has raised, is a matter that has caught the attention of this House, both during terms when this particular group sat on this side of the House, and during terms when that particular group sat on this side of the House, as to how to deal with a difficult situation where bills are distributed two days previous to second reading and, in fact, they are made comment upon by members of the opposition; sometimes by members on this side; certainly by members of the press, because they have those bills distributed to them; and what happens is that a bill becomes known to the public in such a way so as to not provide the focal point, or the explanation, of the government or the Minister who is introducing it. In the past different government have attempted different ways of dealing with that particular situation.

The Opposition House Leader, the Member for St. Norbert, did indicate to me earlier, we did have a conversation that this was a concern of theirs, and I think that at that time we indicated that the practice in the past had differed and that there might be problems in the future and we should attempt to resolve those problems. I'm not certain that a Matter of Privilege is the correct procedure in which to follow to resolve those problems and, for that reason, would suggest that there may be other options that could be reviewed by the Opposition House Leader, and myself, in regard to the practice that now exists and how to make certain

that matters are presented to Members of the House at the same time that they're presented to members outside of this House.

We have just had a recent example of a problem where we did not, in fact, introduce into the press comments about a particular bill, The Family Farm Act; yet we had members opposite discussing with the media that particular bill while the Minister of Agriculture, the Minister responsible for introducing the bill, did not speak to the press . . .

**MR. J. DOWNEY:** That's his problem.

**HON. J. COWAN:** . . . and we did not — well, the Member for Arthur says, "That's his problem", meaning that that's a problem of the Minister of Agriculture. No, that's not his problem, that is our problem, because unless we have on both sides an assurance that nobody is going to speak to the media and give press interviews on a bill until we have had an opportunity to discuss it in this House, we all have a problem. We attempted to deal with that problem in this particular instance on the basis of advice, which I gave to the Minister of Consumer and Corporate Affairs, in regard to that press conference, by having a press conference, at which time he could explain to the people of Manitoba, to whom we have a duty to serve as well, the details or the general parameters of that bill. I understand that a copy of the press release, which he distributed to the press, was distributed simultaneously — that's my understanding — simultaneously to members opposite, so that they had the opportunity to review that particular press release at the same time that the press did.

If that is not a workable system, in the opinion of the Opposition House Leader and members opposite, I would be prepared to sit down with them and discuss how we can make this system work better, but we cannot allow a situation to continue to exist where members from their side can comment freely on a bill, while members from this side do not comment upon a particular bill, and the Member for Arthur says that's our problem. That's unacceptable.

So what I would suggest, if there is no prima facie case, that the Rules have been broken or that the member's privilege has in any way been affected by this particular practice — it is a practice that, I think, if they reflect back upon, they will recall having used when they were in government; it is a practice that has been used on this side of the House during the last term of this government, and it is a practice, which we believe, well serves the public — and that is our prime duty — because it allows them an opportunity to understand what the bill purports to do and how it purports to do it at the time that it is being distributed and dealt with by members of the press and dealt with by members of the opposition.

**MADAM SPEAKER:** The Honourable Leader of the Opposition.

**MR. G. FILMON:** Madam Speaker, are you permitting debate on the motion?

**MADAM SPEAKER:** I'm permitting comments as to whether this is a Matter of Privilege, advice.

**MR. G. FILMON:** Speaking to that, I believe that the matter that's been raised by the Member for St. Norbert is a valid one, one that should be considered as a matter of privilege in the House. It is a matter that I say to you Madam Speaker, has been raised before.

The Government House leader referred to the fact that during the time in which we were in government the point was raised, and I can recall, on at least two occasions, that the former member for St. Johns raised issue, not only Madam Speaker with having a news conference prior to second reading introduction in this House on a bill, and also on even making a major public statement outside the House without making it in the House. In both those instances the former member for St. John's took issue with the then administration on a matter of privilege and said that he believed we were breaching the practices and traditions of this house. He said that this House was the highest authority in the province; that in the public order of events this House deserved to be informed on major issues and indeed on the introduction of bills, prior to any public announcement. He believed that this House took precedence over any media relations or public relations, and Madam Speaker, the Government of the Day acceded to his concerns and wishes and changed the practice to ensure that those announcements came only after second reading in the House.

I say to you, Madam Speaker, that this is indeed a matter of privilege because it breaches the privileges of members here who, as members of this House, have the right to know, before anybody else, about the principal of the bill and the intent and the purport of it. I say to you Madam Speaker, that the member for St. Norbert has gone so far as to give, I believe, very good direction by suggesting what the alternative is in terms of giving brief explanatory comments with first reading of the bill, and I believe that it should be treated in this vein. He suggested, I think, a very workable and reasonable solution, that the member need only apologize to the House for this breach and the matter will be done with. There need be no further debate, there need be no other consideration of the matter and indeed, Madam Speaker, the lesson can be properly learned and passed along to all members of the Treasury Bench.

So, I say to you, with those brief comments, Madam Speaker, that I believe that this is indeed a matter of privilege and that the Minister of Consumer and Corporate Affairs can address it very swiftly and very simply.

**MADAM SPEAKER:** The Honourable Minister of Consumer and Corporate Affairs.

**HON. A. MACKLING:** Madam Speaker, I just want to add to what our House leader has put on the record, provide you with the full information and all members of the House. There had been concerns as to the responses that would be given after distribution of the bill because there was anticipated media interest in this legislation. I had already received a call from one of the media concerned to discuss the provisions of the bill. I was advised that past practice and precedent had established a vehicle to permit resolution of that

problem. The practice was that a copy of the news release that would be furnished to the media would be supplied to the Opposition, the Opposition critic. I followed that practice to the letter. I delivered a copy of the press release to my critic at 2:30 p.m. yesterday afternoon, and then I indicated to him personally that likely the press would be asking questions of him, or others, because they've already — I don't know whether I had indicated they had already approached me — and I didn't meet — (Interjection) — The Honourable Member for Sturgeon Creek doesn't want me to provide information.

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MADAM SPEAKER:** Order please. Order please.

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MADAM SPEAKER:** Order please! Order please!

Will the Honourable Member for Lakeside please come to order and allow the Honourable Minister to finish his advice to the Speaker?

The Honourable Minister of Consumer and Corporate Affairs.

**HON. A. MACKLING:** So to put it in context, Madam Speaker, at 2:30 p.m. I did speak to the Opposition critic, I did not meet with the press until 4:00 p.m. that afternoon, and dealt with the questions that the press put to me then. It wasn't in the term of a press conference per se, it wasn't a media exposition, I was there to answer questions in respect to the bill, questions that were already extant with the media, because they had the bill and were asking questions.

Therefore, I was following the advice that past practice and precedent in this House accommodated the concerns of the media and the general public into an explanation of the contents of the bill.

I suggest, Madam Speaker, that you consider the past practice of this House, past rulings of former Speakers on this question, and take any decision in respect to the question as to whether or not this is a prima facie motion, or a valid grievance motion, under advisement.

**MADAM SPEAKER:** Thank you very much.

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MADAM SPEAKER:** Order please. The motion for an apology is not yet before the House.

I will consider the advice that honourable members have given and report back to the House at the earliest convenience as to whether debate should proceed on the honourable member's motion.

## ORAL QUESTIONS

### Flyer Industries - den Oudsten takeover - Wally Fox-Decent

**MADAM SPEAKER:** The Honourable Leader of the Opposition.

**MR. G. FILMON:** Madam Speaker, my question is to the Minister responsible for Flyer Industries. Has he

received a report from Professor Fox-Decent, the mediator who was appointed to mediate the disputes between the union and den Oudsten with respect to Flyer Industries?

**MADAM SPEAKER:** The Honourable Minister of Finance.

**HON. E. KOSTYRA:** Thank you, Madam Speaker. I have not received a report from Mr. Wally Fox-Decent with respect to the mediation of the dispute between Flyer Industries, New Flyer, and the union, and that report would be filed with the Minister of Labour, rather than with myself as Minister responsible for Flyer Industries. I did receive a report and was in fairly constant communication with the mediator over the last week. I did receive a report on the weekend that there was a successful conclusion to the negotiations that he was involved in between the union and den Oudsten and the Manitoba Development Corporation.

I have been further advised that, as of last evening, the membership of the union has ratified the terms of agreement between den Oudsten and their union negotiation committee, so there is now a settlement to the concerns that were expressed with regard to the changes needed for the training program with the union.

**MR. G. FILMON:** Madam Speaker, did the recommendations and the agreement solely involve the union and den Oudsten, or was the government required, in any way, to change any aspects of its agreement with den Oudsten?

**HON. E. KOSTYRA:** There will be some changes as a result of the agreement that was reached, as it relates to the share-purchase agreement, none of which impact on the Manitoba Development Corporation. I believe one of the changes, and I have not seen all of the details yet, one of the changes relate to the provision that was in the share-purchase agreement for a profit-sharing plan. As a result of negotiations that was removed by the company and something else instituted for the employees, so there are some changes that will be made to the share-purchase agreement in terms of the results of that agreement.

I think it's certainly quite believable, Madam Speaker, that in the context of the labour relations act in the Province of Manitoba that provides for rights on succession of a business, a law that members opposite criticized and suggested that would not work in the best interests of Manitoba has clearly, in this case, worked in the best interests of the Province of Manitoba, the best interests of the employees and the new company that is taking over the New Flyer.

**MR. G. FILMON:** Madam Speaker, will the Minister table the changes that have been made to the agreement between den Oudsten and MDC or the Province of Manitoba?

**HON. E. KOSTYRA:** Most certainly, Madam Speaker. The changes that are being made will be tabled once

they have been put to writing. Flyer Industries is still before committee and I would certainly intend to ensure that information is provided to members prior to the next sitting of the Standing Committee on Economic Development, prior to it reviewing that, but I will provide that information to members of the Chamber.

### Flyer Industries - new contracts

**MR. G. FILMON:** I wonder if the Minister can indicate whether or not Flyer is at present continuing to bid on any new bus construction contracts.

**HON. E. KOSTYRA:** I don't believe that the present Flyer Industries is bidding at this moment on any contracts, or has, over the last short period of time.

**MR. G. FILMON:** When will Flyer Industries resume bidding on new contracts? Presumably, without any new contracts, there won't be any opportunity to continue the business. When is it anticipated that they will resume bidding on new bus construction contracts?

**HON. E. KOSTYRA:** Madam Speaker, as was explained in committee when we were reviewing this matter, there will be work in progress for the new company well into this year, and I would anticipate that at some point after July 15, once the new owners take ownership of Flyer, that they will resume, based on their business plan, bidding and actively looking at further opportunities for contracts for Flyer Industries.

I do know, in the interim, that the principals of the company have visited with a number of transit authorities throughout Canada, in the United States. Indeed I know that one transit authority in Eastern Canada travelled to meet them in Holland, so I would expect that they would very quickly be working on additional work for the factory.

**MR. G. FILMON:** I wonder if the Minister could indicate when was the last time that Flyer Industries bid on a new bus construction contract.

**A MEMBER:** A long time ago.

**HON. E. KOSTYRA:** I would have to take that specific question as notice just to confirm what I understand, but I believe the last bid was with respect to the Toronto Transit Commission contract which is presently in the latter stages of completion in the factory right now.

### Tourism in Manitoba - loss to Manitoba

**MADAM SPEAKER:** The Honourable Member for Portage la Prairie.

**MR. E. CONNERY:** Thank you, Madam Speaker, to the Minister of Tourism.

Tourism is our third largest industry in Manitoba. It contributes many needed jobs to Manitobans and, in the summer, especially for students. The Minister's officials are baffled by the 10 percent drop in tourism for May. Is the Minister also baffled or can she explain the drop in tourism?

**MADAM SPEAKER:** The Honourable Minister of Small Business and Tourism.

**HON. M. HEMPHILL:** Thank you, Madam Speaker.

No, I'm actually very pleased to be able to talk a little bit about . . .

**SOME HONOURABLE MEMBERS:** Oh, oh!

**HON. M. HEMPHILL:** Madam Speaker, I'm pleased to be able to explain that the figures that are communicated in the paper are not an accurate reflection of the strength of the tourist industry in Manitoba.

We are still expecting a record year for tourists overall in the Province of Manitoba. Every indicator that we have still indicates, whether you're talking to the hotels, the people in the field, the information requests, the people dropping in on their way back from Expo, every indicator shows that we're still going to have a boom year.

However, there is a 10 percent drop in foreign travel in the month of May, but one month does not a tourist season make. There are some explanations for the 10 percent and I think that's what the Member for Portage la Prairie was asking for.

First of all, it is compared to a record increase in tourism in the previous month of May, a 23 percent increase, compared to the Province of Saskatchewan at 4 percent; so we had a record year in the month of May last year, a 23 percent, and the 10 percent decrease is compared to that.

We had a couple of additional problems and one was the measles outbreak, Madam Speaker, which I'm sure . . .

**SOME HONOURABLE MEMBERS:** Oh, oh!

**HON. M. HEMPHILL:** The measles outbreak and the lateness of the farmers being able to get on the land, which all members opposite will be able to understand . . .

**MADAM SPEAKER:** Order please, order please.

**HON. M. HEMPHILL:** . . . and this has had an effect . . .

**MADAM SPEAKER:** Can the Honourable Member for Portage la Prairie ask a supplementary out of that.

**MR. E. CONNERY:** Yes, after that unbelievable first answer, I'll ask another question.

Can the Minister now give us any indication as to the economic loss of this 10 percent drop in tourism to Manitoba?

**HON. M. HEMPHILL:** Madam Speaker, we are still expecting overall about a \$25 million increase in the tourism industry in the Province of Manitoba and we'll have to wait till the end of the season to confirm those figures, because they're not based on travel in the month of May, which is incidental travel, people coming from other provinces and from the U.S. markets, but is based on overall travel, not just the foreign market;

so we are still expecting about a \$25 million increase overall in all travel, and I think that's good news for Manitoba.

### Expo '86 office - staffing of

**MR. E. CONNERY:** A new question to the same Minister.

Can the Minister tell us what is the cost of faring employees to Expo every three weeks to man a 15 by 30 ft. booth that is attracting less than 150 people per day, while the office in this building attracts over 300 people per day?

**MADAM SPEAKER:** The Honourable Minister of Industry, Trade and Technology.

**HON. V. SCHROEDER:** Thank you, Madam Speaker. I had partially answered those questions previously. I'd like to inform the member in the House that we're doing the same thing other provinces are doing. We find that is the least expensive way of providing that service at Expo. It is costing us approximately \$56 per day, room and board, for our people at Expo and that is way below what it's costing Saskatchewan or Alberta.

Saskatchewan is using the three-week system in the same way Manitoba is. Alberta is using the one-week system, and what we're doing is the least expensive method of doing it possible. As indicated, we are having about 150 visitors a day and that goes up to 450-500 on the weekend, and we've had about the success that we expected with that pavilion so far.

**MR. E. CONNERY:** Madam Speaker, is the Minister then saying, along with the other provinces, we are giving a lot of civil servants a holiday on taxpayers' money?

**HON. V. SCHROEDER:** Madam Speaker, the honourable member should understand that the province invests in product development, in product sales, in assisting our manufacturers to sell products.

Madam Speaker, not all our expenditures have to be in the agriculture related area. We are also looking at — and this happens to be a transportation exposition. We have employers there from Manitoba as well who are presenting their products. We're doing our best to help them and it is not a holiday.

The apartments we're renting, as an example, are about \$505 a month, compared to about \$2,000 a month for the Alberta people. We have calculated what we can do. We're sending, at different times, those particular people who are expert in the fields that are being featured at given times of the summer, and those people are working 12-hour days at the site; they're putting in probably longer hours than they would if they were here in Manitoba and they're there on business for Manitobans. They're doing the same thing, Madam Speaker, that people from other provinces represented there are doing and that costs some money.

### Highway construction - four-laning of Highway 75

**MADAM SPEAKER:** The Honourable Member for Lakeside.

**MR. H. ENNS:** Thank you, Madam Speaker. Getting back to those 10 percent fewer tourists arriving in this province, Madam Speaker, I direct a question to the First Minister because very often the first and lasting impressions of a visitor's or tourist's impressions of the place that he or she has visited is the condition of our roads and highways in that community or in that province. And, Madam Speaker, the Premier ought to become very concerned about the condition of our roads. They are deteriorating, Sir, rapidly by the action of your government in reducing the Minister of Highways's budget by \$12 million.

**MADAM SPEAKER:** Does the honourable member have a question?

**MR. H. ENNS:** I have a specific question, Madam Speaker. After that lengthy answer that I got from the Minister responsible for Tourism, I do believe I detected the fact that it was principally the foreign, and I assume American visitors, that were not coming to this province or the drop was 10 percent. Now my specific question to the Minister is, when will he direct his Ministry of Transportation to get on with the four laning of Highway No. 75 and perhaps do something about that 10 percent reduction in tourism?

**HON. H. PAWLEY:** Madam Speaker, as we've indicated on different occasions there requires a balance insofar as economic, insofar as spending, insofar as the deficit is concerned, and that means that one has to use prudence, sometimes unpopular decisions obviously have to be made in order to ensure that one restrains spending, at the same time concentrating on those areas of highest importance, recognizing that 75 and road construction, and all the other programs that honourable members would like us to spend money on — some \$100 million to \$150 million during the course of this Session. They're all good suggestions but they all cost money, and it's the government that has to make some pretty difficult decisions.

**MR. H. ENNS:** Madam Speaker, the First Minister makes a valid point. It's easy for us to suggest where money ought to be spent; we ought to at least be able to suggest where it could come from. This morning at committee, Madam Speaker, we have learned that we, as Manitobans, have invested \$6 million into ManOil so that we could lose \$16,000.00. We could take the \$6 million and build some roads with it.

**MADAM SPEAKER:** Order, order please. I presume the honourable member was rising on a supplementary, (a) which needs no preamble, and (b) may I remind the honourable member that question period is not a time for debate, but a time to seek information, not give it.

The Honourable Member for Lakeside with a supplementary to the First Minister.

**MR. H. ENNS:** Supplementary question, Madam Speaker, to the First Minister. Would the First Minister seriously consider redirecting some of the funds currently in place that are not providing any particular social service to the province, and in fact are simply a public hemorrhage on public funds, in ManFor or in ManOil, and redirect them to areas that are in need today, including the Faculty of Engineering at the University of Manitoba.

**HON. H. PAWLEY:** Madam Speaker, we are fortunate in the Province of Manitoba to have a diversified economy, to have an economy where there's forestry resources, mineral resources, agricultural resources, tourism, manufacturing base, a resource base that we intend to encourage the development of. I know a resource base that Manitobans have confidence in, insofar as its future growth and development in. And, Madam Speaker, we will put our effort toward the development of the oil resources of this province, despite opposition from members across the way; development of potash resources, despite opposition by members across the way; development of hydro and energy resources despite opposition from honourable members across the way. Because what we are doing, Madam Speaker, is developing an economic base to ensure that we bring about the gradual development and improvement of the economy and finances of the province as a whole.

### Indian Affairs - audit of Manitoba Branch

**MADAM SPEAKER:** The Honourable Member for Burrows.

**MR. C. SANTOS:** I would like to direct a question to the Minister responsible for Native Affairs. In view of the federal shuffle in Cabinet, the federal level in government, would the Honourable Minister make representation to his federal counterpart in order to act quickly and promptly on the audit of the Manitoba Branch of the Department of Indian Affairs.

**MADAM SPEAKER:** The Honourable Minister responsible for Native Affairs.

**HON. E. HARPER:** Thank you, Madam Speaker. Yes, I will be representing the interests of the Native people, the Indian people in Manitoba, in respect to the audits that were done in Manitoba. I might say that I'm disappointed in the transfer of Mr. Crombie to another department. I believe that he had a lot of tasks that he had to fulfill. It seems to me that after a hundred years of Indian Affairs we seem to have a changeover of Indian Affairs every couple of years, and we give a pair of moccasins to the Ministers and they don't seem to complete their mile walk before the end of their term. It seems a waste of time that we're educating the Ministers and I hope this Minister will come to understand the issues of the Indian people more quickly.

**MR. C. SANTOS:** A supplementary, Madam Speaker. Will the Honourable Minister also be meeting with Indian chiefs and Native band organizations in order to discuss

the implications of this audit for the Native people of Manitoba?

**HON. E. HARPER:** As you know, the chiefs have put themselves on the line for exposing, the I guess administration of the Department of Indian Affairs and I have met with some of the chiefs already regarding this issue and I expect to meet with some chiefs.

### Workers Compensation - appeal claim delays

**MRS. S. CARSTAIRS:** Thank you, Madam Speaker. My question is to the Minister responsible for the Workers Compensation Board. Individuals who are denied benefits or who have had their benefits reduced under the Workers Compensation Board presently have no other recourse but to return to welfare. Can the Minister tell the House why the appeal process is presently taking four to six months on appeal claims?

**MADAM SPEAKER:** The Honourable Minister of Workplace, Health and Safety.

**HON. G. LECUYER:** Thank you, Madam Speaker. This is indeed one of the problems that troubles me as much as anybody else. In this Chamber, Madam Speaker, and in the ongoing meetings I have with members of the board I try to discuss this issue. I have discussed this issue with them many times up to this point, Madam Speaker, with a view of trying to streamline and speed up this process. And at various times of the year we've come down to a period of time where it has been narrowed down to sixty days. On the other hand, there are periods where it does back up and the period of time is longer. But I have to say, Madam Speaker, that from that standpoint, although I would like to see it much shorter, it compares very favourably when you consider that in British Columbia it takes two years.

**MRS. S. CARSTAIRS:** A supplementary question. If it is possible for a similar program, such as, the Unemployment Insurance Commission to hold appeals within 30 days, is it not possible for this Minister to assure claimants that the Workers Compensation Board will provide speedier service in the future.

**MADAM SPEAKER:** The Honourable Minister of Workplace Health and Safety.

**HON. G. LECUYER:** Madam Speaker, before a claim goes to the board appeal level, it goes through adjudication; it goes through the committee review. If there is a medical review required, that is another step that a claim has to go through. That doesn't always happen, but it does in certain instances. It's only after those steps have been covered that an appeal that go to the board level.

As far as the latter part of that question, Madam Speaker, indeed, to speed up the process is what we try to do on an ongoing basis, and one of the methods we have resorted to is for a complete review of the Act, which is presently under way.

### Motive fuel rebate for farmers

**MADAM SPEAKER:** The Honourable Member for Virden.

**MR. G. FINDLAY:** Thank you, Madam Speaker. My question is to the Minister of Finance about the motive fuel rebate tax system for farmers.

In his May 22 Budget, the Minister of Finance introduced a proposal to replace the current system of purple dyed fuel with a new Manitoba Farm Fuel Tax Credit to be administered through the income tax return in 1986. The Minister requested the Income Tax Department federally for concurrence by June 30, 1986. I would ask the Minister if that concurrence has been obtained.

**MADAM SPEAKER:** The Honourable Minister of Finance.

**HON. E. KOSTYRA:** Thank you, Madam Speaker. Unfortunately, no. The initial response from the Federal Minister of Finance was to reject the proposal that Manitoba made on behalf of Manitoba farmers, and agreed to by Manitoba farm organizations, with respect to the method of ensuring that Manitoba farmers get the full benefit of the tax reduction, or the withdrawal of the tax on farm fuels.

I have again written to the Federal Government asking them to reconsider their decision in light of the position of Manitoba farmers. In addition, I have written to Manitoba farm organizations, outlining to them the problem and asking them for their advice in terms of whether or not we should consider to pursue that particular path or look at other options.

**MR. G. FINDLAY:** Thank you for that comment. We all agree that the system is not working the way it is, and I would ask the Minister if he's prepared to consider the resolution that we introduction, Resolution No. 9, on June 19, with an alternative system to get this motive fuel tax rebate directly to the farmer.

**MADAM SPEAKER:** Order please. I believe that that resolution has not been voted on and is still before the House for debate. A question should not refer to issues on the Order Paper.

The Honourable Member for Charleswood.

### Manitoba Lotteries Foundation - review of operations

**MR. J. ERNST:** Thank you, Madam Speaker. Through you to the Minister responsible for the Manitoba Lotteries Foundation, is the Minister in a position now to table the report of the review of the operations of the Manitoba Lotteries Foundation, done by Mr. Al Miller, which was, I understand, submitted in April of this year?

**MADAM SPEAKER:** The Honourable Minister of Culture, Heritage and Recreation.

**HON. J. WASYLICIA-LEIS:** Thank you, Madam Speaker. As I've indicated to the Member for

Charleswood and to several of his other colleagues in response to questions about the Miller Review of the umbrella system, it's my job to ensure that that report is reviewed by the umbrella groups themselves.

Madam Speaker, we are at the stage in the process of receiving comments from each of those umbrella groups. I'm in the process of having in-depth meetings with each of those groups. Once that process has been completed, I will be taking recommendations to my colleagues in Cabinet and, at that time, we will be looking to release the report to members opposite and to the public.

**MR. J. ERNST:** Does the Minister have an estimated time when that would be completed and when the report would be released to other members of the House and to the public?

**HON. J. WASYLICIA-LEIS:** As the member opposite knows, the umbrella system is a complex system and those groups involved would like the time to be able to comment in-depth and for this government to take their recommendations very seriously.

I want to ensure that that process is given all the time that is necessary in order to arrive at the best conclusion to the issues raised by Al Miller in his report.

**MR. J. ERNST:** Madam Speaker, through you again to the Minister responsible, can she advise the House why there needs to be such great confidentiality in this particular matter?

Madam Speaker, I think it would be wise that all members of the House, all members of the public, have the opportunity to put their input into that system so that the best system is derived as the end result, not after it's fait accompli by the government.

**HON. J. WASYLICIA-LEIS:** As I've indicated in one of my previous answers to the member's question, there will be ample opportunity for members opposite to comment on the report and to give me their suggestions. But I think it is only courteous to allow those groups who are mentioned in the report, and affected by any possible changes, to have the time to comment on the report and to give me their advice before proceeding and before releasing this report to the public.

### Core Area Initiative Renewal Agreement - tabling of

**MR. J. ERNST:** Madam Speaker, I have a new question, to the Minister of Urban Affairs. I had the opportunity to attend this morning with my leader and several of my House colleagues, the announcement of the Core Area Initiative Renewal Agreement, in which the Minister participated.

Could the Minister advise the House when he expects to be able to table the Core Area Initiative Agreement entered into with the Federal Government and the City of Winnipeg?

**MADAM SPEAKER:** The Honourable Minister of Urban Affairs.

**HON. G. DOER:** Thank you, Madam Speaker, and thank you to the member opposite for the question.

As the information has been made public and all three parties, I'm pleased to announce, are recommending it to their principals, I will be preparing a fact sheet to release, not the 150-page document, for the House, for all members' attention and, if the members opposite want the whole document, then I will also make that available to them.

**MADAM SPEAKER:** The Honourable Member for Charleswood with a supplementary.

**MR. J. ERNST:** Madam Speaker, could the Minister then indicate approximately when that would be forthcoming?

**HON. G. DOER:** Madam Speaker, I'll attempt to obtain copies from the Core Area office of the printed document that the member opposite received this morning, that has all the details of the tentative Core Area Agreement, with the word "proposed" on it. Of course, when the three governments ratify the agreement, the word "proposed" hopefully will come off. So I'll attempt to get copies of those forthwith, to save the Manitoba taxpayers the amount of money for duplicating that effort.

I'm pleased to say, Madam Speaker, that this government is very pleased that the renewed Core Agreement includes the balance between the social and physical aspects, as was in the previous Core Agreement, and we are very pleased that the balance will be maintained as a model, and the Core Area revitalization as a model for urban planning. I believe the last Core Agreement had some \$37 million for social services programs. This Core Area has \$39 million and, contrary to the advice of the member opposite in his previous vocation, it will have money in the Core Agreement for training and employment, which we believe is very, very critical in the new program.

### Flyer Industries - new contracts

**MADAM SPEAKER:** The Honourable Minister of Finance.

**HON. E. KOSTRYA:** Thank you, Madam Speaker. Earlier, in question period, I took as notice a question from the Honourable Leader of the Opposition with respect to Flyer Industries. He asked a question if there were any other contracts entered into. I can confirm the last contract entered into by Flyer Industries was the Toronto Transit contract, which was entered into in January of this year.

### The Pas ag rep - loss of

**MADAM SPEAKER:** The Honourable Member for Arthur.

**MR. J. DOWNEY:** Thank you, Madam Speaker. I have a question, through you, to the Minister of Agriculture. Madam Speaker, historically the Progressive Conservative Party have made major inroads in support of development of The Pas area, particularly dealing with the agricultural community.

Can the Minister of Agriculture tell this House and the people of The Pas, Manitoba why he stripped them

of their agricultural representative and the position for the agricultural representative in that community . . .

**HON. B. URUSKI:** Madam Speaker, I wish to indicate to my honourable friend that the services our department have been providing to that part of the province will continue to be provided in a form, other than the direct form that we've had in the past.

However, Madam Speaker, historically, during the development years, it was felt that additional services of an ag rep should be provided; and, in fact, when you consider the services provided to The Pas, in terms of the number of farmers both part-time and full-time in an area, the services — as provided in other parts of the province — the extension staff service is approximately five-to-six times the number of farmers in other parts of the province as they've done in The Pas.

But we will be providing services to The Pas area in a form of direct comprehensive assistance through our extension staff in the specialty fields, through direct telephone contact, through — (Interjection) — Madam Speaker, the honourable members have raised a question and I'm trying to answer it. There's no doubt that the direct contact by many would be the preferable method but in — (Interjection) — Madam Speaker, the ag rep position was vacant for a number of months for that area and we were able to provide that service. In times of budgets and services that we provide to other people, we felt this area, in terms of its development, could handle the services in conjunction with the producers there in the way that we are proposing.

**MR. J. DOWNEY:** Madam Speaker, in view of the fact that The Pas — with the Manfor losses, with the problems in agriculture — is a failing community under the New Democratic Party; will he reconsider his decision and replace the ag rep to give the farm community the support they need?

**HON. B. URUSKI:** Madam Speaker, I find the honourable member's question slightly amusing in the sense that during my Estimates, many of their colleagues criticized the services and said that we may have had too much professional staff in the field. Now when we've reallocated and provided our services in a less expensive method, Madam Speaker, they are objecting to those provisions.

Madam Speaker, that's the amusing sense. I recognize that many of the farm people have grown to rely on some of the services that our staff provide. We will attempt to continue to provide those services in a more economical way, so that those services will be provided to the people of The Pas area.

### Signing authorities - senior civil servants

**MADAM SPEAKER:** The Honourable Member for Pembina.

**MR. D. ORCHARD:** Thank you, Madam Speaker. Madam Speaker, my question is to the Minister of Finance.

Tuesday, 8 July, 1986

On June 5th the Minister of Finance took as notice a question as to when the \$500,000 signing authority was granted to the Executive Director of the Manitoba Energy Authority, Marc Eliesen, by the Board of the Manitoba Energy Authority, chaired by Marc Eliesen. Could the Minister provide that information to the House now, as to when that signing authority of \$500,000 was granted?

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MADAM SPEAKER:** Order please. Order please.  
The Honourable Minister of Finance.

**HON. E. KOSTYRA:** Thank you, Madam Speaker. I'll have to review that particular question and consult with my colleague, the Minister responsible for the Manitoba Energy Authority.

**MR. D. ORCHARD:** Madam Speaker, I have a new question for the Minister of Finance. The \$500,000 signing authority granted to the Executive Director by the Board of the Manitoba Energy Authority provided contract approval without Treasury Board approval; there was no perusal by Treasury Board or approval required by Treasury Board of any contract signed up to \$500,000.00. Can the Minister of Finance indicate to the House whether that exemption from Treasury Board approval was made at the behest of Treasury Board or did Mr. Eliesen ask for that exemption from Treasury Board authority?

**HON. E. KOSTYRA:** Madam Speaker, that decision was made as it is in the case of all Crown corporations; a practice that is in place for all Crown corporations of the Province of Manitoba.

### **Manitoba Energy Authority Board - access to board meeting minutes**

**MADAM SPEAKER:** The Member for Pembina.

**MR. D. ORCHARD:** Madam Speaker, a question to the Minister of Energy and Mines. He took as notice last Friday a question I posed to him of providing access to the Manitoba Energy Authority Board Minutes with — even at his own request — the exemption of any Minutes which might involve confidential deals involving energy sales by Manitoba Energy Authority.

Would the Minister now be able to provide access to those Minutes with those exemptions in place, so that we can untangle the tangled web that is in place involving signing authorities, attendance at meetings, decisions made, etc.?

**MADAM SPEAKER:** The Honourable Minister of Energy and Mines.

**HON. V. SCHROEDER:** Madam Speaker, I indicated previously that the signing authority, in that particular instance, is not as large as in a number of other Crown corporations in government. It's not something that is unusual.

### **Bloodvein Reserve - housing needs**

**MADAM SPEAKER:** The Honourable Member for Roblin-Russell.

**MR. L. DERKACH:** Madam Speaker, I have a question for the Minister of Northern Affairs.

In view of the fact that some 93 Metis people are presently or very shortly going to be forced from their condemned MHRC housing on the Bloodvein Indian Reserve, will the Minister of Northern Affairs indicate to the House what plans or programs he has in place to deal with the urgent housing and employment needs of these non-status Native people?

**MADAM SPEAKER:** The Honourable Minister of Northern Affairs.

**HON. H. HARAPIAK:** Madam Speaker, the group that the member for Roblin-Russell is referring to are the Metis people from the Bloodvein Reserve. They did come to see me on the 12th of May, asking for a community to be established because they had received notice to get off the reserve. At that time, we told them to go through the normal process, that it would take approximately two years to establish a new community. They said that was not acceptable, so we said we would try and get a permit for them to locate along the Long Body Creek, where they had chosen a site to live. We told them there was no funding for infrastructure and they said, at that time, they did not want any infrastructure. As long as they had a location, they would look after their own accommodations.

So the Department of Northern Affairs has taken out a permit for them and now we have had them come back and fill out the occasional or occupational permits. We received occupational permits just yesterday and now there is CMHC standing there talking to the people from the Bloodvein community at this time.

**MADAM SPEAKER:** The time for Oral Questions has expired.

### **NON-POLITICAL STATEMENT**

**MADAM SPEAKER:** The Honourable Member for Thompson.

**MR. S. ASHTON:** Madam Speaker, I would like to ask for leave to make a non-political statement.

**MADAM SPEAKER:** Does the honourable member have leave? (Agreed)

The Honourable Member for Thompson.

**MR. S. ASHTON:** Thank you, Madam Speaker.

This past weekend, as members of this House will be aware, Thompson hosted our annual Nickel Days celebration. The highlight of that celebration, Madam Speaker, is the National King Miner Contest. I'm sure I speak for all members of this House in congratulating the National King Miner, Al Meston, a 15-year resident of Thompson for his success in that event; and also in congratulating Cliff Morton, the Honourary King Miner; Bob Lowery, the Honourary Driller, who were recognized for their contribution to the King Miner event and Nickel Days event.

Thank you, Madam Speaker.

**MR. L. DERKACH:** Madam Speaker, I would like to ask for leave to make a non-political statement.

**MADAM SPEAKER:** Does the honourable member have leave? (Agreed)

The Honourable Member for Roblin-Russell.

### NON-POLITICAL STATEMENT

**MR. L. DERKACH:** Thank you, Madam Speaker.

In early June of this year, a resident of Manitoba, and specifically of my constituency, embarked on an expedition around the world in a small aircraft. I would like to ask all members of the House to join with me today to pay tribute to one of these constituents, Mr. Gerald Keating of Russell, who together with a former Winnipegger, Mr. Dave McCullough, have just returned from a successful trip around the world in a Cessna 414.

I think that this is a very noteworthy achievement, and I'm very proud to have a resident of my constituency, and particularly of Russell, return from a 24,000 mile expedition around the globe and having returned home safely.

Thank you.

### ORDERS OF THE DAY

**MADAM SPEAKER:** The Honourable Government House Leader.

**HON. J. COWAN:** Madam Speaker, before moving the House into Committee of Supply, I'd like to confirm that it's my understanding that the review of ManOil and Manitoba Mineral Resources was completed by the committee this morning and, therefore, we will be dealing with the Report of the Manitoba Telephone System in the Committee of Public Utilities on Thursday at 10 o'clock.

**MADAM SPEAKER:** The Honourable Opposition House Leader.

**MR. G. MERCIER:** Thank you, Madam Speaker. I wonder if the House Leader could indicate when he will be calling Interim Supply again.

**HON. J. COWAN:** I would like to have an opportunity, perhaps with the Minister of Finance, to sit down with the Opposition House Leader and the Opposition Finance Critic to determine the timing of calling it and the order of finishing the consideration of Interim Supply. Perhaps we could do that some time within the next couple of days, and I'd be able to report to the House at that time as to when exactly it would be called.

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MADAM SPEAKER:** The Honourable Government House Leader.

**HON. J. COWAN:** Thank you, Madam Speaker.

I will ignore the comments from the Member for Pembina. I don't believe they are shared by his colleagues, and I don't want to put them in the position of having to disassociate themselves from those comments as well.

I move, Madam Speaker, that Madam 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, seconded by the Minister of Finance.

**MOTION presented and carried** and the House resolved itself into a Committee to consider of the Supply to be granted to Her Majesty with the Honourable Member for Burrows in the Chair for the Department of Finance; and the Honourable Member for Kildonan in the Chair for the Department of Industry, Trade and Technology

### CONCURRENT COMMITTEES OF SUPPLY SUPPLY - INDUSTRY, TRADE AND TECHNOLOGY

**MR. CHAIRMAN, M. Dolin:** Committee come to order. We are considering the Estimates of Industry, Trade and Technology, Page 104. Before we begin, we have an introductory statement from the Minister of Industry, Trade and Technology.

**HON. V. SCHROEDER:** Thank you, Mr. Chairman.

In the Throne Speech in the 1986 Manitoba Budget Address, the Lieutenant-Governor and my colleague the Minister of Finance, set out some of our government's economic objectives. They pointed to the need for government to focus its energies on the areas of greatest concern to Manitobans through job creation and economic development and for sustained economic development to provide jobs, economic security and increased opportunities for women and men throughout the province. In introducing the Estimates of Industry, Trade and Technology, I intend to demonstrate our response to these needs.

On the basis of most economic indicators, it's fair to say that Manitobans can take some considerable satisfaction in the economic performance of this province over the past four and one-half years. This is not to say that we see no room for further improvement. Canada faced a severe international recession in 1981-82. Interest rates continue to be well above the historic norm. Nevertheless, Manitobans can be proud of the fact that the Manitoba economy has out-performed the national average over this period. Job creation is our most important goal and therefore the most important measure of our success.

At present, the total number of people employed in Manitoba is greater by some 30,000 than when we took office in November of 1981. This represents a percentage increase of 6.5 percent which compares favourably with the increase for all of Canada, of only 5.7 percent.

Investment is another key indicator. Admittedly, during the recession Manitoba experienced one of the largest declines in total investment, but over the last three years the average increase in total investment was a very healthy 13.5 percent as compared to a mere 2.4

percent for all of Canada. According to the most recent Statistics Canada survey of investment intentions, Manitoba will again surpass the national average by a large margin in 1986.

If we exclude the public sector and look only at private capital investment, the record of the past three years is almost the same. The average increase in Manitoba was 13.9 percent as compared to only 4.6 percent for Canada as a whole.

The latest investment intentions survey indicated that private investment in Manitoba will also surpass the national average in 1986. Overall, private investors clearly consider Manitoba a sound place to invest.

I believe one of the best indicators of economic health is found in the statistics of interprovincial migration. Canadians are a highly mobile people and they readily move to those provinces in which the economic opportunities are greatest at any given time.

Interprovincial migration data indicate that in every year from 1961, when the statistics were first collected, to 1981, Manitoba suffered a net loss to other provinces. However, for the three years 1982-84, Manitoba enjoyed a net in-migration from other provinces because employment and investment opportunities were better here than in most other provinces.

In 1985, there was again a net outflow, but it was one of the smallest ever, less than 1,000 people, and it is accounted for by the strong resurgence of the Ontario economy. Nevertheless, Manitoba continued to gain people from Saskatchewan and Alberta in 1985.

The 1986-87 Estimates allocation of 8.9 million to Industry, Trade and Technology is comparable to last year. We've held the line on expenditures in keeping with this administration's commitment to a responsible and balanced fiscal policy. This allocation will continue to allow a flexible and diversified package of economic development programming. As in the year just past, the department's overall mission will be to foster steady, stable growth in a diversified economic structure in keeping with the employment, income and human development aspirations of Manitobans.

Technological development remains an area of high priority. The government recognizes the vital role that technology has to play in sustaining and expanding the diverse economic foundations of our provinces. Manitoba, of course, is not going to compete with the likes of Silicon Valley. When it comes to the development and creation of new technology, we must look at those areas where we have a relative advantage.

What Manitoba must look toward is the adaptation of technology, the applying, adopting and refining of the fruits of technology creation.

Under the Jobs Fund, a number of technology related programs have been successfully launched to broaden the opportunities for businesses and entrepreneurs to gain access to specific technologies. These programs provide a continuum of assistance at different stages of development: assisting research and development, encouraging spinoff businesses which stem from research and development, providing start-up financing, helping entrepreneurs to develop promising ideas which are appropriate to our resources and location, and promoting awareness and cooperation.

The programs are delivered by the staff within the Technology Division of Industry, Trade and Technology and include the Technology Commercialization Program,

the Technology Discovery Program, the Strategic Research Support Program, the Graduate Scholarship Program.

The Information Technology Program with support of the Jobs Fund was inaugurated in September of 1985. This industry-government initiative has received in its short life positive reviews locally and internationally as an effective vehicle to advance the understanding and use of information technology. The program has also been instrumental in identifying and pursuing several investment opportunities toward the development of an information technology industry.

The orientation of these programs is consistent with the long-term approach toward economic development that has been adopted by our government and that is the main mission of the Department of Industry, Trade and Technology. Grant assistance to the MRC supports about half of total Manitoba Research Council technology transfers to Manitoba industry. This is significant in that the majority of costs associated with technology program delivery are offset by contract revenue from private enterprise which obviously values and makes good use of the department's technological capabilities.

Industrial development: six development agreements under the Manitoba Investment Program were negotiated by Industry, Trade and Technology, and financed through the Jobs Fund in 1985-86, generating \$35.4 million of investment and creating or preserving 480 jobs in Manitoba. Objectives for 1986-87 are to at least repeat this level of activity.

The department's Hong Kong office will soon complete its first full year of operation. Actual investment in Manitoba from Hong Kong last year totalled \$4.3 million, resulting in 160 new jobs from business immigration activity. The office is currently working on an additional 60 business immigration proposals which, if they materialize, would represent \$10 million in investment for Manitoba.

Special initiatives have been implemented to attract companies from Minneapolis and Chicago to invest in Manitoba. Other specific initiatives include a focus on energy-intensive industries and small growth-oriented companies in the United States. Contacts are also being established with selected companies in Israel.

In total, including development agreements, the Industry Branch has directly assisted with the creation of over 1,100 new jobs and over \$92 million in capital investment in the manufacturing and processing sectors in 1985-86. Our goal is to attain and surpass this target in 1986-87.

As an example of efforts to refocus existing spending to create viable new investment and permanent high-value employment opportunities in Manitoba, I would refer you to the department's new Health Industry Development Initiative. Over the long term, we will encourage existing health-related manufacturers to explore new product development opportunities, based on health spending, promote Manitoba as a health industry location, and investigate means by which to improve the quality and productivity of provincial health care services.

In the trade area: Support for export development is an ongoing priority for the department. Resources allocated to the Trade Branch will be maintained in 1986-87 to support an extensive program of group trade

show exhibits, missions, and cost-shared assistance to Manitoba exporters.

Canada, the U.S., Australia, Europe, and Asia are markets where we will continue to be active in support of our diverse manufacturing and service sector. While the majority of these initiatives are organized and managed by the Trade Branch, some are joint projects with Manitoba Agriculture, InfoTech Manitoba, or the Federal Government.

With further liberalization of trade anticipated as a result of ongoing negotiations, it is most essential that we continue to strengthen Manitoba's export base and capitalize on the opportunities of world markets.

In the area of bilateral trade negotiations, the department has played a lead role in developing the government's policy with respect to the present trade negotiations between Canada and the United States. We have prepared and released a number of trade-related impact studies and policy papers to date. These have been used extensively in our consultations with non-governmental interests.

Drawing on research and working in cooperation with other departments, numerous, more detailed sectoral studies are presently under way. We intend to continue our extensive consultations with Manitobans, especially on detailed issues, as they arise during the negotiation process.

One or two members of department staff have been present at every meeting of the Federal-Provincial Continuing Committee on Trade Negotiations, which is chaired by Ambassador Reisman. We have used, and will continue to use this forum to ensure that the Canadian negotiating team is as well informed as we can make them of Manitoba's interests.

In the area of strategic planning: the Strategic Planning Division is expected to play a key role in conjunction with the Trade Branch and with other departments in the ongoing development of Manitoba's position with respect to the bilateral trade discussions. Since we're beginning to move into a more detailed phase of the negotiations, this will necessitate increasingly intensive activity over the forthcoming year.

Manitoba has a clear, definite interest in enhancing economic union within Canada as well. It is expected that the Strategic Planning Division in the department will contribute importantly to the ongoing intergovernmental efforts to promote balanced regional economic development across Canada, to rationalize interprovincial trade barriers, and to improve economic relations between the provinces and territories of Canada.

The Strategic Planning Division will also continue to seek new and improved ways of maximizing the effective and efficient use of the human and financial resources available to government for economic development and employment creation.

Opportunities for new and improved programs or for the redirection of existing programs will continue to be assessed. Additional effort will be applied to the evaluation of both programs and projects in terms of their economic and social impacts.

A development strategy and policy for Manitoba regarding the service sector is in the process of being formulated and is expected to move into an implementation phase this fiscal year.

As in the past, the Strategic Planning Division will continue to be responsible for administering a number

of long-term strategic studies which will be undertaken in support of policy decision-making related to economic development.

We will also be continuing and extending special initiatives aimed at strengthening government's relationships with key elements in the business community.

In tabling the 1986-87 Estimates of Industry, Trade and Technology, I want to conclude by re-emphasizing our commitment to flexible, long-term economic development programming. Like most jurisdictions in North America, the Manitoba economy is currently undergoing a fundamental restructuring.

We're all experiencing an extended phase of accelerated technological change and of shifting patterns of international trade. This is posing a very real challenge for all Manitobans.

Furthermore, this is not a challenge that can be expected to dissipate within the next year or even within the next five years. The main job of Manitoba Industry, Trade and Technology over the remainder of this decade will be to keep this long-term economic challenge in clear focus and to facilitate a smooth transition to a renewed, dynamic and balanced economic structure in Manitoba.

This will require both the understanding and the dedication of all components of the Manitoba economy. Our commitment as a department is to keep our expenditures in line while we work with all Manitobans to ensure that we jointly meet this long-term challenge and create the meaningful employment opportunities desired by men and women throughout this province.

**MR. CHAIRMAN:** Thank you.

The Member for Sturgeon Creek.

**MR. F. JOHNSTON:** Thank you, Mr. Chairman.

The Minister paints a rosy picture when he speaks about the capital investment in the Province of Manitoba. We're all aware of the figures showing that the increase in capital investment is there, but it's an increase over probably some of the worst years or bad years that we've had.

Although we find ourselves improving at a percentage rate as good as anybody in Canada or better, we also find ourselves lagging behind in manufacturing investment in this country. This department can take very little credit for the private investment in apartment blocks, housing and things of that nature and, as a matter of fact, not too much credit for the investment in the service industry. Business, to small business and business development, is probably in the forefront of that particular area.

The statistics show for June 13, 1986, from the Manitoba Bureau of Statistics, and has shown this figure all year long, that new capital investment in manufacturing in the Province of Manitoba is estimated to be down in 1986 by 4.3 percent.

This department is strictly responsible for investment and manufacturing jobs in this province, which is really the base of the economy of the province because manufacturing jobs are the ones that create the service industries which are the department stores, the clothing industries, etc. Manufacturing is on the base, first of all, with your renewable resources first, which is our

agricultural community; then there are resources, which is our mining community.

Then, of course, we want to work to have the manufacturing of those resources done in this province. Then we want to have an attraction of people coming to this province with manufacturing that suits this province's economy, that suits the labour force of the Province of Manitoba.

We have an experience of losing some very good ones, such as Pratt and Whitney, when we are the third-largest aerospace industry in Canada. Nova Scotia, not having any aerospace industry whatsoever, was able to attract Pratt and Whitney, with Manitoba coming second. It's obvious that the payroll tax was the reason for that. It's obvious that the labour — (Interjection) — well, if the Member for Inkster wants to figure the actual payroll tax on a \$30 million payroll and how much more business you've got to do in Manitoba to make the same profit as somewhere else, he'd find that they'd have to do about \$10 million more a year if they'd been here in Manitoba. Companies don't certainly become attracted to provinces that have that type of a tax.

Labour legislation which is certainly unfair to employers from the point of view of giving the larger union halls more power than they should have. We're finding out, at the present time, that Flyer Industries can't be sold by the government unless a union boss says it can be. We're also finding out that the deficit of the Province of Manitoba is climbing continually, and business people in this country just as late as two days ago were concerned about the Federal Government's tremendous deficit and who was going to have to pay it. If the Minister doesn't believe that business takes a look at a profit and looks at their deficit and says to themselves, who's going to pay it, and business is usually the first one to be taxed, manufacturing especially, they say well, maybe we'd better go somewhere else because we don't want to pay a debt that we didn't have any part of creating.

This department with its strategic planning, etc., communications, industry trade division, trade division, and technology division, basically, and I repeat as I said before, is there to create manufacturing jobs with new companies or expanded companies. That, obviously, according to the Manitoba Bureau of Statistics is not going to happen in Manitoba as good as it happened in other years because they show that new capital investment in manufacturing will be down 4.3 percent.

The strategic planning, I would say, is a good system and we will probably need it while we're dealing with the free trade. I don't know that the strategic planning has to spend all that much time deciding what the free trade policy was going to be. I think with Canada and United States, that's a place where the Ministers and the deputies would be more involved than anybody, but they should be working on the strategy of, if there is free trade, what are the best businesses to have in the Province of Manitoba.

I don't see any reports or I haven't seen any strategy put forward since last year or any increase in strategies of this department that is doing anything to attract businesses other than go on the policy that the Minister once criticized, that we take every individual company that we are dealing with and work with them on the basis of whether they're good for Manitoba or not good

for Manitoba, and a submission is made to Treasury Board and Cabinet as to whether the government would do anything to attract the business or not. I don't see any change in that policy whatsoever.

I don't see any funds set up to attract industry. I don't see any books that say anything about tax relief or anything of that nature. I don't see a policy set across the country the same as you will find from some of the states in the United States and some of the provinces in Canada. So it seems to be that the department is sort of groping.

What are we going to do next on the basis of what somebody else may or may not do? We have been losing in Manitoba an industry that is without doubt one of our major ones, and that is the manufacturing industry to supply the farm industry of this province and other provinces. Manitoba was the leader in manufacturing in Western Canada, or at least in the Prairie Provinces, because we were the supplier to the agricultural industry, and through that we grew into being manufacturing suppliers to many other parts of Western Canada and manufacturing suppliers to parts of the United States. We are gradually losing our manufacturing resource to other provinces.

I see advertisements from Saskatchewan and Alberta saying we're open for business. I only see payroll taxes and unfair legislation and high deficits, etc., which are there to scare off businesses. I see in Saskatchewan programs where there's so much allowed per employee. I take a look at the Ontario programs to attract industry and Ontario and because of the recession, we're going to do something to get it back, and they're doing it. We had it; we're not getting it back. It's all very well to say that the government is spending more money and private investment is up mainly because interest rates are down for housing, etc.

This department is obviously responsible, or would have been responsible, for having a representation or a pavilion at Expo. I know that's a government decision, but it's turning out to be one that is very bad. Here we are sitting with a small cubby hole — (Interjection)

**A MEMBER:** 15 by 30 feet.

**MR. F. JOHNSTON:** . . . compared to other provinces having people stand around talking to somebody that goes by and comes in. As we heard today, 150 people a day, maybe 300-400 on the weekend. That's a tremendous average when you've got 300,000 people going through Expo every day. Why would they stop? Why would they stop when they can stop at the Alberta and Saskatchewan pavilions and go in and see what they manufacture? Why wouldn't we have gone to a place which was going to be one of the largest trade exhibitions in the world that was designed to attract people from the Pacific Rim to look at what Canada can make, and here we are in Western Canada in a position to take tremendous benefit of those particular purchasers and we're in a little cubby hole of a closet.

I've had people come back from Expo and one of them said to me, I was rather ashamed. Several of them, awfully disappointed that we weren't there. My daughter said to me yesterday, dad, I didn't think the fuss that was made about Manitoba not having a

pavilion with Expo was really that much to be concerned about until I was there, until I walked out of Expo ashamed of the fact that Manitoba wasn't able to do what all other provinces in Canada, except one, was able to do. That's the feeling of the young people of this province that we weren't capable of being up there with the rest of the people in this country.

I sometimes think we might be better off not to have anything there than a cubby hole of a place with a few colours and what have you that says Manitoba on it, not an awful lot better than the displays we put up at exhibitions here in Manitoba or anywhere else across this country. I would wonder if the Minister would want to go out and stand in that booth. Maybe if he did, he'd find out that he would be rather embarrassed when he looked at the other pavilions around the Expo.

The Technology Division, I don't know what technology is being developed in Manitoba. We played around with the computer industry. We still have the place out on Ness Avenue and Linwood Street. I'm not quite sure what is coming out of that. I've visited it. It probably looks to me as if it's a great display centre for manufacturers to display their wares. I don't know the benefit that the Manitobans are getting out of it. Here we were, we were going to move into the computer industry in great leaps and bounds, but it doesn't seem to be happening either.

So this department is just groping around, having fun playing with figures and books and strategies, taking up hours of time writing reports with nothing basic being accomplished, and that's according to the Manitoba Bureau of Statistics. Manufacturing is expected to be down in Manitoba by 4.3 percent because that is the main job of this department, and to create a situation and work with the industries that they work with to help them sell their products. That doesn't seem to be happening either.

So, Mr. Chairman, this department does not take a lot of time to go through the Estimates. This department is a working department, basically to report on what they have been doing. They don't have any large out-reaching situations such as some of the other departments. They don't build highways. They don't purchase for the province. They don't do any of those things. They're just there to work to create jobs, and they haven't been doing it in the most important area that they should be doing it.

That's all I have to say, Mr. Chairman, except that I say that the statistics that we have from the Manitoba Bureau of Statistics employed in 1981 was 461,000 people and, in 1985, there were 480,000. That's up 19,000. I don't know whether we employed 11,000 people between January 1 and now or not, but it's very doubtful. But I'm sure the Minister has figures and we have figures, but we know that ours come from the Manitoba Bureau of Statistics. So the figures on the employment are doubtful.

Thank you very much.

**MR. CHAIRMAN:** Thank you.

If staff would like to come forward, we will defer Item 1.(a), Minister's Salary, and begin on Resolution 103, 1.(b) Executive Support.

1.(b)(1) — the Member for Portage.

**MR. E. CONNERY:** Mr. Chairman, I think when we're starting in right at the very beginning, this would be

the area that we would discuss it, the report of the Auditor. The report of the Auditor on Page 36, if you have the Auditor's report, I want to quote from it because I think it's very important that Industry, Trade and Technology is supposed to be the department that is going to help business succeed. I want to read into the record their own record in their own department.

It says: "We did note some examples of ineffective management information systems this year. We noted that two departments experienced difficulty with the preparation of their expenditure estimates. The Department of Business Development and Tourism and the Department of Industry, Trade and Technology have not submitted satisfactory expenditure Estimates data for both 1984-85 and 1985-86. This necessitated Treasury Board support staff in the Department of Finance having to spend considerably more time pulling together sufficient information to enable the Estimates review process to proceed."

I'd like the Minister to explain how they are going to help industry thrive in the Province of Manitoba when they can't even make their own departments run satisfactorily.

**HON. V. SCHROEDER:** Mr. Chairman, I'm told that the department has worked with the Department of Finance for quite some time to resolve the problem. The department is satisfied that it has resolved the problem, and we believe the Auditor will confirm that.

**MR. CHAIRMAN:** The Member for Portage. Just as a matter of procedure, could the Minister and members please indicate by just raising your hand so I know you're prepared to speak?

The Member for Portage.

**MR. E. CONNERY:** The Departments of Industry, Trade and Technology and Business Development and Tourism use a common Finance and Administration Branch for both departments. Obviously, I guess that is why both departments have been poor in their Estimates. Is there a change there? Are they separating them? Are they leaving them together? What's going to happen?

**HON. V. SCHROEDER:** They're remaining as they are. There's just a better reporting mechanism, as agreed to between them and Finance.

**MR. E. CONNERY:** Has this just taken place because, in our discussions with the Auditor and his report, he still wasn't all that happy with what had happened after 1985-86?

**HON. V. SCHROEDER:** I'm told that it is something that has been evolving right up until very recently, and is continuing to evolve.

**MR. CHAIRMAN:** The Member for Sturgeon Creek.

**MR. F. JOHNSTON:** I believe this would be the area, because it's not listed, but where are the salaries of the personnel that are at Expo? Are they just different people who are through the different parts of the department who are picked out, or what's happening?

**HON. V. SCHROEDER:** Yes, Mr. Chairman. Those salaries will show for those individuals in their usual area.

Tuesday, 8 July, 1986

**MR. F. JOHNSTON:** Are all of the people who are working out at Expo from this department?

**HON. V. SCHROEDER:** No, Mr. Chairman. About half of them are from Business Development and Tourism.

**MR. F. JOHNSTON:** The Minister, I know, gave it to us in the House yesterday and some today. That's a rotating situation of so many weeks there and . . .

**HON. V. SCHROEDER:** Yes, Mr. Chairman, there are two permanent officers there at all times and those are the two positions that rotate. There's one STEP student who is there for the whole period. We hired, I believe, a second year or third year law student. The shift rotation is 4 days on, 2 off, 12 hours a day, 7 days a week for the full 6 months. The showcase is open 10:00 a.m. to 10:00 p.m. seven days a week. They work overlapping eight-hour shifts.

What we try to do, given the particular exhibits we have in there at a specific time, we try to ensure that we have the people there from the departments who know those particular industries.

**MR. F. JOHNSTON:** You mentioned there are business people from Manitoba there. Are they there on their own or are they being supported by the government?

**HON. V. SCHROEDER:** We have companies such as Bristol, Canadian Bronze, Manitoba Rolling Mills. I believe Versatile was there recently; there are others. I'm just checking to see whether we provided any funding. I'm told that they are there on their own although they're using our facilities. I am told as well that they're paying something for being in our facility.

**MR. CHAIRMAN:** The Member for Portage la Prairie.

**MR. E. CONNERY:** The Minister said the exhibits were being changed on a regular basis. On what kind of basis are the exhibits being changed?

**HON. V. SCHROEDER:** Mr. Chairman, there are themes at different times of the fair. If it happens to be buses, we try to have our bus manufacturers; if it's agricultural, we have some of our agricultural people and so on.

We have, just quickly going through the people who are going to be there, Bristol Aerospace, Brandon Industrial Commission, Imperial Cleveite, Canadian Bronze Co. Ltd., Indian Crafts and Arts Manitoba Incorporated, Robonics International, Manitoba Rolling Mills, Winnipeg Business Development Corporation, Manitoba Energy Authority, den Oudsten, Pembina Valley Development Corporation, Urban Bus Subagreement.

**MR. E. CONNERY:** What is the size of the booth?

**HON. V. SCHROEDER:** It's about 300 square feet.

**MR. E. CONNERY:** What does that break down to in by what by what?

**HON. V. SCHROEDER:** Is the battery out of your computer? I'm sure you can figure that out.

**MR. E. CONNERY:** I converted it. To me, it seems something like 15 by 30 feet is the size of our booth. Is that right?

**HON. V. SCHROEDER:** That sounds fairly big. That's 450 feet.

**MR. F. JOHNSTON:** It's half the size of our caucus room.

**MR. E. CONNERY:** It's awfully small.

**MR. F. JOHNSTON:** Our caucus room is small, yes.

**MR. E. CONNERY:** Yes. These people go there; now you've got to have some shelving in there, you've got to have a desk, you've got to have some chairs. Where is there room for an exhibit in the room?

**HON. V. SCHROEDER:** I suggest you go there and take a look. In the walls there are television sets running a variety of programs, depending on what is being featured, obviously. The Rolling Mills exhibit comes along another wall when it happens to be there. This is not a place for people to come and sit down. It's a place to look at the exhibit. If they want to talk, they can talk with the officers on duty. There's no table there; it might be a nice convenient thing, but keep in mind there are tables all over the place in the building.

**MR. E. CONNERY:** So you're saying, then, the exhibits are video exhibits rather than a physical exhibit because there just wouldn't be room for a Versatile tractor in the room.

**HON. V. SCHROEDER:** Mr. Chairman, having one of those tractors in that room would be, I think, a terrible — it would certainly put a squeeze on the living space of the other exhibits.

But there are different ways of exhibiting. The Rolling Mills, as an example, were showing rails. They had a number of rails in that place and they had set them up in such a way that they were not inconveniencing either officers, passersby or visitors.

**MR. E. CONNERY:** If I read the report right, the people are going down to Expo three weeks at a time and then returning. You're having different exhibits there so you're going to somebody from your department that would correspond with the particular exhibit.

That being the case, how do we get the people going to Expo that are going to be interested in that exhibit at one time, at that time that they're down there, without the space of having a multi-exhibit thing? People wanting to look at a given sector of industry will be going for the full six months.

**HON. V. SCHROEDER:** Mr. Chairman, we basically regard it as a trade show and people are going to be there at different times when a particular theme is on. If business is intending to come for that particular theme, we will be there with the kinds of Manitoba perspectives that would be appropriate for those particular times.

If they come at a different time, in all likelihood, they would not find anything specifically appropriate to their

fields in those other — I shouldn't say anything, but they wouldn't find an awful lot. We have, as an example, a specialized period for urban transit, June 16 to June 30. I understand that's an Expo program proposal so that people interested in that area could program ahead and know that's the time to come.

Transportation for recreation happens to be August 25 to 31 so that if we have anything in that area that's when we would be there.

You just go through that calendar and it only makes sense to do it in that fashion.

**MR. E. CONNERY:** The last question. The figures were given that there's less than 150 people per day going through the booth. Our little display office or tourism office right in this Legislature puts through over 300 people a day so that gives you some idea of the traffic.

I'm also told that some of the pavilions are having as high as 18,000 people a day, so you can see what a percentage of the traffic that Manitoba is getting. We're down 10 percent in tourism. While that's not in this department, the industries will also be affected because we're not getting the traffic through so we're not going to be luring the interest and, if we're not interested in business, why would business be interested in us?

**HON. V. SCHROEDER:** Well, that's a pretty cheap shot and something that could be expected. But quite frankly the exhibitors in that particular building all feel that they are not getting what they had bargained for, none of them, and that includes the other provinces. It includes all of the exhibitors in that building and they are working with Expo people to solve the problem. Organizers of the World Business Showcase estimated that there were 3,000 to 5,000 people to go through that particular building and we're not talking about the Expo site — this isn't on the Expo site, it's at Canada Place — 3,000 to 5,000 people a day — it's not happening, it's not happening for anybody there. And what we're doing, we're sitting down with Expo officials and working out better communications, better signage and that sort of thing, so people know that the building is there.

As it happens our location is right on top of a staircase where it is much more highly visible than many of the other showcases there. It is true that it is not one of the largest ones, but it is also true that you don't have to wend your way through a whole number of corridors to find it. And so, if we're having problems, you can be assured other people are having problems too. There is nothing visually wrong with our showcase and people who go by do tend to pop in to take a look to see whether there is something that interests them. But quite frankly I don't know how many tourists walking by a rail exhibit are going to spend an awful lot of time looking at different railway rails; it's not the most exciting thing. The people who will stop by are the people who are interested in that and who may have some interest in doing business. And you don't have 40 million railway companies in North America; you happen to have very few. You can count them — they number in the tens on this continent or for that matter on the planet.

**MR. E. CONNERY:** Not having been to Expo, is our office in Canada Place separate from the other pavilions, the other provincial pavilions?

**HON. V. SCHROEDER:** No, our pavilion happens to be within a few feet of walking to Saskatchewan (Pavilion). The only difference is that you don't see the Saskatchewan Pavilion when you come up to the head of the stairs, and you do see the Manitoba Pavilion.

**MR. CHAIRMAN:** (1)(b)(1) — the Member for Sturgeon Creek.

**MR. F. JOHNSTON:** Mr. Chairman, when the Minister says it's a cheap shot to say to the people that if we're not interested in business why should they be interested in us. I suggest that it isn't that cheap a shot or that bad a shot because we don't show all of the world in this particular case — and I say the world because I sat in the audience at a First Ministers' meeting in Regina.

When the discussion of Expo came up and the Premier of B.C. stated that he hoped everybody would be in, the Prime Minister of Canada excelled on this was going to be one of the best trade shows and start the ball rolling, so to speak, for Canada and all of Canada, to be selling products to the world that would keep Canadians working. At that time he said to the Premier of B.C. that he'd hoped everybody would be there but he would have to have discussions with the Premier of the Province of Manitoba.

With all of the research, you've got this planning group studying the effects of having a good pavilion at Expo for Manitoba products, estimating the amount of business that would come in. I'm told some of the pavilions are paying, they're not losing; they're going to end up breaking even after the expenditure because they went to the trouble of doing something to attract the people to look at their products.

Why would Manitoba, and I fully realize that the Premier said that it was \$6 million that he didn't want to spend, and that's two years ago, but since he said that all of the studying and everything that has been put forward as to the success and the amount of people who were going to go through Expo were obviously disregarded by the government and decided that we would not have Manitobans hold their head high. If the Minister thinks that's a cheap shot — hold their head high when they go through Expo because they have a pavilion there. What are the costs of this pavilion for the time of Expo with the people who are going to man it, etc. going to be?

**HON. V. SCHROEDER:** Mr. Chairman, I understand the cost to us will be in the range of \$200,000.00. I think that those comments by the member, where he refers to the trade show, make a good deal of sense, and that's where we are. But we're not on the fairgrounds. You're catching people who are out there to have a good time, maybe see a little of the more exciting pavilions, and you're in there competing with pavilions that are in the tens of millions of dollars. And a pavilion for \$6 million from Manitoba, we were told by our staff, when we were considering this issue, would be something we would not get a return on our investment for, and we looked at it strictly on the basis of whether we were going to get a return on our investment for Manitoba or not.

The area where we felt there was a potential was specifically in that trade show area where we would

Tuesday, 8 July, 1986

get a larger proportion of business people, people coming for the various themes that are up at given times. And that is the area where we feel we can get a return on our investment. We decided instead of putting money into Expo and into the glitz in British Columbia, that if we're going to have that kind of thing and encourage tourism and so on we would be looking at things in Manitoba, like the IMAX, which I think in the long run is going to be an investment which will be far better for the people of Manitoba, in terms of tourism, in terms of business, in terms of our population, than anything we would have put up there on a short-term basis for a six-month fair in British Columbia.

**MR. F. JOHNSTON:** \$200,000, the cost of the booth. You're saying that all of these people can be there, you can rent the apartments. We'd have airplane fares. What is Expo going to cost? I think the Minister gave me maybe the rental of the booth, but the rental of the booth is one thing, but then there's the cost of the booth and the cost of operation, etc. What is the cost of Expo?

**HON. V. SCHROEDER:** There is one additional expense that isn't shown here, but I had indicated previously that the salaries of the individuals who are going to be on-site are shown within their department. But I will give him the numbers. Accommodation for these people for that period of time is \$9,000; site passes are \$2,600; exhibit space, \$76,050; exhibit construction, \$60,000; transportation, \$9,540; contract wages, \$15,000 — sounds pretty good for six months, not a bad job; per diem expenses, \$12,600; subtotal, \$184,790, and a contingency of \$15,210, for a total of \$200,000.00.

**MR. E. CONNERY:** Your airplane tickets, were these economy or are there seat sale tickets at this time of the year? I know that traditionally governments don't buy on a seat sale ticket.

**HON. V. SCHROEDER:** Mr. Chairman, they're on excursion fares.

**MR. CHAIRMAN:** 1.(b)(1) — the Member for Sturgeon Creek.

**MR. F. JOHNSTON:** The addition to the costs, then, are the salaries that are buried throughout. Of course, those people, when they're working out there, won't be working here, but I will admit that they're working in the trade area. What, approximately, would those salaries be for the people that are out there?

**HON. V. SCHROEDER:** Mr. Chairman, just some quick arithmetic. We would estimate that the average salaries of those officials would be in the range of \$45,000 per year. Two people for six months would be one staff year, about \$45,000.00.

**MR. F. JOHNSTON:** Under Salaries of the Minister's department here, how many people does that involve now?

**HON. V. SCHROEDER:** There's 19 staff years.

**MR. F. JOHNSTON:** Nineteen staff years. How many people is that?

**HON. V. SCHROEDER:** I think my staff was giving me stuff for Vancouver again.

**MR. CHAIRMAN:** We're looking at 1.(b)(1). The Member for Sturgeon Creek.

**MR. F. JOHNSTON:** The Salaries, of the \$141,200, how many people is that in the department? I must admit that I moved from Expo to this.

**HON. V. SCHROEDER:** Could you repeat the question so that we have it clear exactly.

**MR. F. JOHNSTON:** The Executive Support for the operations of the Minister's office, and the Deputy Minister's office.

**HON. V. SCHROEDER:** Four people, Mr. Chairman.

**MR. F. JOHNSTON:** Now, that's two secretaries and an Executive Assistant. What is the other? Or am I right in that?

**HON. V. SCHROEDER:** Yes, and the Deputy Minister.

**MR. F. JOHNSTON:** Where is the major part of the department? Does it still exist in the accommodation that it has had, or has it been moved?

**HON. V. SCHROEDER:** Mr. Chairman, we haven't increased our space in the last while. There was some consolidation over at Lakeview, 155 Carlton, between Business Development, Tourism, and Industry, Trade and Technology, in order to better accomplish the work of both organizations, and they seem satisfied with that.

**MR. CHAIRMAN:** The time being 4:30, I'm going to interrupt proceedings for Private Members' Hour. We will reconvene at 8:00 p.m.

## SUPPLY - FINANCE

**MR. CHAIRMAN, C. Santos:** Committee please come to order.

This section of the Committee of Supply has been dealing with the Estimates of the Department of Finance. We are now on Item No. 2.(c), Treasury Division, Payments re: Soldiers' Taxation Relief.

The Member for Morris.

**MR. C. MANNES:** Mr. Chairman, within the whole second section of these Estimates, last night we spent a considerable time, from our viewpoint, trying to find out how the dynamics associated with Manitoba Properties Inc. worked such that there would be a \$59 million allocation shown in a different part of the Estimates. The Minister has very kindly offered staff time for further explanation.

Before I take up that offer, I would ask the Minister whether his department, in a very simplified fashion, can tell us where this \$59 million goes.

Mr. Chairman, I understand that \$37 million of it goes to the people who've invested \$400 million. It's an appropriation; it's a cash tossed to government.

Can he or his staff tell us in a simplified fashion where the additional \$22 million is directed, where they show up as a receivable in some other part of the Estimates?

Well Mr. Chairman, I realize that there is an overlap of years here between our fiscal year and the fiscal year-end of Manitoba Properties Inc., but nevertheless, I'm looking for the principle at work here, not the absolute dollars. I'm looking for the principle at work as to where that extra \$22 million goes, how it shows up as another factor or as another entry within the Estimates.

Then, I believe my colleague, the Member for Pembina, has some specific questions to the annual reports as put forward by the Manitoba Properties Inc. covering their year-ends. I don't think we want to go into it in an awful lot of detail here.

After that creative time, if there is still some misunderstanding, or if there is still some lack of understanding on our part, then we may be prepared to entertain the Minister's offer to meet with staff.

**HON. E. KOSTYRA:** Mr. Chairman, again, as I indicated, I did provide members with the statements for both years. I think the member did make reference, I didn't hear, but we talk about different time frames between what is in appropriation and what shows on the books of Manitoba Properties Inc. and obviously that can't be reconciled for members. If the members want, we can have staff available to sit down with them and go through the details.

If you look on the Statement of Income of the January 31, 1986 report, it shows that the net revenue that year was just over \$39 million for rent, \$8 million for interest. The money that is paid back to the province is the interest on the long-term debt which was approximately \$16.8 million.

In terms of the payment on the preferred shares, the dividends, that shows up further on in the report dealing with the Statement of Changes in Financial Position — those pages aren't numbered but it's two pages hence — which shows under Financing, midway down the page, dividends paid on preferred shares, which is \$33.7 million.

**MR. D. ORCHARD:** That \$33,706,000 is also on the Statement of Retained Earnings which indicates dividends on preferred shares.

Mr. Chairman, in purusing the financial statements of Manitoba Properties Inc., several questions come to mind. First of all, if we plot the financial position and the tax liability position of Manitoba Properties Inc., through fiscal year '85 to fiscal year '86, we find that in fiscal year '85 there was a carried-forward tax benefit of almost \$300,000 which led us to a net taxable position of some \$8,497,287.00.

Can the Minister indicate to me — on the Statement of Income it says "Deferred Income Taxes" — when do these income taxes become payable and represent a cash outflow for Manitoba Properties Inc?

**HON. E. KOSTYRA:** The tax will never be payable because the projections are, with respect to the depreciation, the capital cost allowances will be such that there will be no tax payable. The only time there would be a tax payable is if the assets were sold.

**MR. D. ORCHARD:** So then, Mr. Chairman, given that answer, is one to assume that we are permanently locked into Manitoba Properties Inc. as a result of this effort to take advantage of federal taxes; i.e., we cannot sell the buildings from the holding companies (a) and (b) back to the Province of Manitoba at any given time because at that point in time we would then trigger all of the income tax which would be deferred as long as we have the depreciation account?

The moment we sell those buildings back to the Province of Manitoba, where they were before, and wind down Manitoba Properties Inc., we trigger all this deferred income tax.

So is that a fair assumption that we are now saddled forever with Manitoba Properties Inc?

**HON. E. KOSTYRA:** No. If the properties are sold back to the province at a net of the depreciated value, then there would be no penalty and no impact and the province could return them back at that value.

**MR. D. ORCHARD:** Mr. Chairman, there is some confusion, when I go through the retained earnings statement for the fiscal year January 31, 1985. Once again the pages aren't numbered but it's the Statement of Retained Earnings on the second financial page, wherein the retained earnings in the line, excess of consideration received over the stated value of the issued common shares. In other words, the common shares are worth a buck, but you've got, theoretically, excess value in the buildings which have not been subscribed to; that value has not been subscribed to by the preferred shareholders, so you've got a value in there, an excess value of 209,246,896.00.

Now, in the financial notes it indicates — and I'll go to the financial notes in the Financial Note 4 in the 1986 statement — it indicates that on January 31, 1985, the common shareholders directed that the contributed surplus on hand be transferred to retained earnings.

Now I run into some considerable confusion in attempting to plot what has happened here, because if we go to the Retained Earnings Statement of the 1986 Annual Report, we find that the \$209 million, in ballpark figures, is theoretically, if I understand the transaction correctly, transferred to retained earnings as Note 4 from the 1986 Financial Report indicates, but yet retained earnings only reflect the value in the 1986 balance sheet of \$174,200,000 roughly. There appears to be some slippage.

Now I don't know whether that's depreciation deducted there, or what sort of a financial transaction took place to eliminate the \$209 million as it appeared in the 1985 year-end Statement of Retained Earnings, to end up with \$174 million in 1986?

**HON. E. KOSTYRA:** I wish these pages were numbered, it would be easier to ensure that I get the right page for the member. I believe he has a slightly different document than I have in terms of the 1986 one. I believe I gave him the actual auditor's copy. We'll supply you with this. The only difference is there's a covering page, which is the President's Report, in the actual document which I'll forward to him. But in any case, if he would turn to the fourth page in that document.

**MR. D. ORCHARD:** The fourth page of actual numbered statements?

Tuesday, 8 July, 1986

**HON. E. KOSTYRA:** Yes, and its entitled, "Manitoba Properties Inc. Statement of Retained Earnings for the year ended January 31, 1986."

There it shows the reconciliation of that \$209,246,000, which is shown as a transfer from contributed surplus and shows the reconciliation that brings it down to the \$174,197,000, at the end of January 31, 1986.

**MR. D. ORCHARD:** I believe that reconciliation was still part of — if I can find it — yes, that was part of the report I studied last night. It still doesn't adequately demonstrate, unless I'm missing something, how for instance, if you just go from the statement that you've just quoted from, the balance at the beginning of the year, net income, transfer from contributed surplus, Note 4. You transferred \$209 million. You had a beginning balance of \$199 million. Theoretically, you've transferred — okay, I think it's coming clear now.

What was transferred was the net figure of \$199 million, plus the net income, less the dividends, to get — okay, fair, that's good enough.

Now, can I ask some questions on another area? First of all, can the Minister indicate, in terms of the income, the revenue — pardon me — Statement of Income, in the revenue line, there is an \$8.5 million, roughly, interest income. Can the Minister indicate the source of that interest income?

**HON. E. KOSTYRA:** Those are short-term deposits and would be the Government of Manitoba.

**MR. D. ORCHARD:** The Manitoba Properties Inc. has sold preferred shares issues — and we'll talk in rounded millions — of \$400 million. They also have as of January 31, 1986, cumulative borrowings, or advances from the province of \$378 million — no, I'm on the wrong line, I'm sorry.

Here we are, sorry, I was on the wrong line.

Notes Payable, Province of Manitoba, Note 2 in the 1986 Financial Statement. You've got \$182.5 million of advances from the province. Now to me that would indicate that if you did the logical thing, and you added the \$400 million that the preferred shareholders have invested to the advances from the province you'd have \$582 million in total working capital of Manitoba Properties Inc.

Presumably the government has utilized a substantial portion of the \$400 million that the preferred shareholders invested in Manitoba Properties Inc.

Are we to assume that Manitoba Properties Inc. is on the one hand, paying interest to the government on roughly \$182.5 million of advances and notes payable; and then some of those funds they aren't using so they put it back into short-term deposits with the government and earn interest. so the net interest cost is somewhere half of the \$16.7 million that's reported on that Statement of Income. Is that what's happening?

**HON. E. KOSTYRA:** That interest payment shown in the 1986 of just over \$8 million will be a one-year phenomena because it was as a result of having excess funds at the beginning of the year as a result of the transactions. That will not be a recurring situation, so there will not be the apparent anomaly that the member is talking about with respect to interest out and interest in, in subsequent years.

**MR. D. ORCHARD:** We'll wait till next year to see how the statement shows, because then theoretically next year with all transactions complete as of January 31, 1986, or virtually; then the next one should be a relatively clearer statement to understand.

Mr. Chairman, I want to ask a couple more questions and I don't want to spend too much more time on this because we have spent a considerable time already. But in terms of Note 2, where you're dealing with the Notes Payable, Province of Manitoba, you have as a result of transactions presumably on the exercise of the warrants that accompanied the original preferred shares issue, you have two additional borrowings from the Province by Manitoba Properties Inc., totalling some \$53.5 million.

Now the interest rates there are 10.5 and 10 percent respectively. Does one assume that is the current borrowing rate the Province of Manitoba enjoyed at the time they made those advances to Manitoba Properties Inc., and hence, it is a straight pass-through of government borrowing rates to Manitoba Properties Inc.?

**HON. E. KOSTYRA:** I'm afraid we're going to have to take that specific question as notice and research the detail in terms of that transaction. The staff doesn't have the information available here.

**MR. D. ORCHARD:** Mr. Chairman, I'll make this point, so the Minister knows where I'm coming from. If indeed my presumption is correct, because yesterday when we asked about the 13 percent note payable, the Minister indicated at the time that advance was made, that was the current interest rate at which the province was borrowing. Hence the Minister said yesterday, that resulted in substantive savings to the Province of Manitoba, because if they had gone to the market, they had to pay 13 percent; whereas here they were borrowing at 9.25 percent to the preferred share issue. If, in fact, the same reasoning follows through on the next two advances, then the savings are substantially reduced to the Province of Manitoba on the exercise of those warrants.

The question I want to pose now to the Minister — and this is in terms of cash outflow by Manitoba Properties Incorporated — as I see it, from the financial statement for 1986, we have four major sources, there may be other minor ones, but four major sources of cash outflow from Manitoba Properties Incorporated.

Firstly, we have the dividends to the preferred shareholders which are \$33,706,734, which is a cash outflow to the preferred shareholders in Manitoba Properties Inc. Secondly, we have an interest expense to the Province of Manitoba of \$16,781,811, as taken from the Statement of Income.

I might say, Mr. Chairman, in my calculation, that only represents interest approximately on the \$129 million, 13 percent original note. It does not appear to include any interest charges for the subsequent advances to the Province of Manitoba, because I did a quick calculation of 13 percent interest paid quarterly on the \$129 million, and that begs the obvious question: was there no advance before the end of January 31, hence no interest payable? — but that's a question the Minister can answer at a later date.

Basically, we do have an interest outflow of \$16,781,811.00. In addition, we've got an expense of administrative costs of \$447,660, and we have professional fees paid by Manitoba Properties Inc. of \$35,943.00. The total of those four cash outflows is \$50,972,148.00.

Now this is the anomaly that I'm trying to determine here, because in terms of entire revenue for that year, including interest which was an anomaly last year, as the Minister indicated; we have revenues of \$47,713,554, so that we are out-of-pocket in terms of cash flow by an amount in excess of \$3.2 million.

Now, my question to the Minister is: in terms of determining the true interest cost of the preferred share borrowing that we're undertaking here — because this is why the vehicle was created in the first place was to undertake inexpensive borrowing, backdoor borrowing which was going to save the province money — should not the cost of borrowing reflect the total charges of those four items that total almost \$51 million and not simply the \$33 million that is paid to the preferred shareholder? If we didn't create Manitoba Properties Inc., we wouldn't have advances requiring Manitoba Properties Inc. to pay the province \$16,781,000; we wouldn't have administration costs; we wouldn't have professional fees. So all of those charges should rightfully be assigned as costs of borrowing on the preferred share issues.

So I pose the question to the Minister; if that is the case, then surely it begs the question as to whether the calculation of savings, as was given to us by the former Minister of Finance, included those additional costs or was simply a calculation of convenience which only showed the preferred share dividend expense as an interest expense and nothing else, and hence understated the cost of this entire transaction. That question, Mr. Chairman, is extremely important because we have serious doubts on this side of the House as to whether all of this jiggery-pokery that we've gone through to hide borrowing in the Province of Manitoba is indeed a benefit to the people of Manitoba and will, in the long run, save us dollars in our borrowing costs.

We recognize why the government was forced to do it, because they didn't want to go to the market and have their credit rating reduced — for a third time — prior to the provincial election. But now that we're into this mess with Manitoba Properties Inc., should we not be calculating those four cash outlays as the cost of obtaining those \$400 million of funds through preferred share sales?

**HON. E. KOSTYRA:** First of all, in terms of somehow equating this to some grand strategy for the election — and don't forget this goes back to August of 1984 — this transaction had nothing to do with any kind of electoral timetable. It was an opportunity to save money.

Now the member is somehow saying that the savings are not the same because you have to take into account the administrative costs here. When the province goes and borrows money from the market, there are administrative costs and commissions payable. So, in the same way as there are administrative costs related to the issuance of the preferred share option with respect to Manitoba Properties, the same is true when you go and borrow money from the market. You have

to pay commissions; you have to pay administrative costs related to that. Whether or not they're exactly the same, I can't tell the member, but I can tell you that the interest costs, as related, and as confirmed by the Provincial Auditor, are considerably less on the basis of this transaction.

**MR. D. ORCHARD:** Mr. Chairman, I don't want to get into an open argument with the Minister, but I just remind him that the September 1983 Cabinet document strategized the low profile approach by this government that they do nothing controversial, from September 1983 until the election was called; and something controversial would be another financial issue of \$400 million which would have saw the province's credit rating drop a third time, which would hardly have been something that was non-controversial for the people of Manitoba to understand. Quite frankly, that strategy of non-controversy and hiding and ducking issues worked, because they achieved re-election. So you know, the grand strategy may not have been part of this Minister of Finance's responsibility, but it may well have been someone else's.

Mr. Chairman, it still remains that this vehicle has additional costs. Now the one cost that we haven't even asked the Minister about is each note, as we've transferred buildings to Manitoba Properties Inc., there have been presumably transfer fees and legal costs associated with title transfer. What are those? Where do they appear? Are they part of the administrative expense that we see here, or are they absorbed within the Department of Finance and not even accounted here, because certainly the administrative expense line has not been broken down to explain what it is and where the costs of transferring those buildings to Manitoba Properties Inc. appear, because I think the fees would be substantial to transfer \$900 million worth of buildings?

So, Mr. Chairman, we still have some very serious concerns as to how this is net benefiting the people of Manitoba. Part of the conclusion will come from the answer the Minister will provide us presumably later on as we peruse his Estimates as to whether the 10 percent of the later advances to Manitoba Properties Inc. by the government represent their current borrowing costs on the market. Because if it does, we're able to borrow at 10 percent, no strings attached, whereas we're only getting 9.25 percent money through preferred share issuance as a result of exercising the warrants within the original preferred share issue.

Mr. Chairman, it boils down to again, and I want to reiterate, that we have now pledged — and the Minister is going to provide us with an update list, because the last one we had is from, I believe, 1985 or 1984. But we now have pledged \$533 million roughly of buildings, and that figure's now up in excess of \$900 million worth of buildings, all to secure \$400 million worth of borrowing. Mr. Chairman, that does not seem to us to be a reasonable commitment of the people's resources which they owned entirely, prior to this cooked-up scheme to try and lower our borrowing costs.

You know, I guess it becomes even more incredible as we dig into this Manitoba Properties Inc., and what it has done, when we see that the political party, the New Democratic Party, which stands up daily and

decries the inequity of the federal taxation system and how loopholes must be closed because tax revenues in the neighbourhood of \$35 billion to \$50 billion are slipping through the tax collector's hands. They want that hemorrhage stopped so that their deficit problem will be resolved, but the political party advocating those kinds of tax reforms took advantage of the very loopholes they tend to criticize politically and as government. They did it with their eyes wide open and, in fact, I believe the federal legislation was changed to close this kind of loophole after the Province of Manitoba exercised this dummy company A, dummy company B, Manitoba Properties Inc. tax evasion scam.

So, Mr. Chairman, you know once again, the moral value of statements made by members in the New Democratic Party about their burning desire for tax reform certainly have a hollow ring to them when we start taking a look at the manipulation of the tax system by Manitoba Properties Inc., willfully and with open mind as to what they were doing. For them to stand up today now and advocate tax reform after they have bilked the federal treasury and, indirectly, the provincial treasury of dollars, because every corporate tax dollar that's saved by this preferred share issue, we receive 56 percent fewer taxes in Manitoba, because that's our take-off rate. So that, while we were bilking the federal treasury to save tax dollars in interest costs by achieving this lower cost borrowing, we were also bilking our own treasury of tax dollars. I'm sure that cost will be not added in to the net cost of interest in Manitoba Properties Inc. That will never be calculated.

Mr. Chairman, we have some very serious reservations about this. We have very serious reservations about the ability for the New Democratic Party to morally talk about tax reform when they are clearly being exposed as some of the greatest tax scam artists in Canada through the implementation of Manitoba Properties Inc. This makes the Member for Transcona look like a Sunday afternoon picnic piker, because all he bilked the people of Manitoba for was about \$150,000.00.

You know, there's the old saying that people in glass houses shouldn't throw the first stone. I suggest that this government has damaged seriously its credibility as a force for taxation reform when you start investigating what they did in Manitoba Properties Inc., and how they now posture and say that we have to change the system because the revenue slippage is such an enormous number. It doesn't really add to the credibility of this government when they approach the Federal Government on taxation reform, having known that the Federal Government had to close this loophole that this government so willingly and blatantly took advantage of, Mr. Chairman.

**MR. CHAIRMAN:** The Member for La Verendrye.

**MR. H. PANKRATZ:** Mr. Chairman, I'd like to ask the question. Would it be possible to obtain a list of all the people who have these preferred shares?

**HON. E. KOSTYRA:** That information is not kept by the government. It is kept by the trust company, but I'll ascertain whether or not that information can be provided.

**MR. H. PANKRATZ:** But it should not, in any way, be a secret document, Mr. Minister, would you think? If

it isn't, would you make sure that I would get a copy of it?

**HON. E. KOSTYRA:** As I indicated, we'll attempt to provide it unless there is some legal impediment with respect to that. If there isn't, then it will be provided.

**MR. C. MANNES:** Mr. Chairman, I would just like to make one final comment with respect to this whole area. My colleague, the Member for Pembina, has in my view laid on the record a number of significant comments with respect to it. I thank him on my behalf for poring over the annual reports of the Manitoba Properties Inc. into the wee hours of the morning, trying to follow this puzzle along.

You know, Mr. Chairman, I prided myself in having some understanding of following the balance sheet of a financial report. Yet, I must confess, I am almost totally lost within this whole area. That's why I'm going to try and really simplify the comments I'm about to make with respect to this whole cash-in, cash-out.

Mr. Chairman, we have before us Estimates, and I refer to again that page within Government Services where there's a footnote, and it says and I quote: "This amount includes a \$58,962,000 allocation for rental payments and so on and so forth. Mr. Chairman, that means to me that there's a cash-out, that's there are somewhere in all the cancelled cheques of government; cheques representing a payment of that amount of monies from the Consolidated Fund of the Province to Manitoba Properties Inc.

I go into the annual reports and I can see where some \$33 or \$36 or \$37 million, depending on how you reconcile the various years, that has been paid out of Manitoba Properties Inc. to the preferred shareholders. There is a difference of \$20 some million, and part of it is interest costs that Manitoba Properties Inc. has to pay, Mr. Chairman. I then would expect that to show up somewhere as either cash inflow to the government, or I would think then, after three or four years, if every one of these shares was redeemed and the whole scheme was wound up, there would be a surplus of funds in Manitoba Properties Inc.

Now, Mr. Chairman, that's as much as I want to lay on the record at this time. I would like staff to tell the Minister what I'm missing in my understanding of that process. If it's a very fundamental mistake on my part, hopefully, they'll point it out. Then, if we have additional questions in the next ensuing days, I would be happy to take up the Minister's offer and go into a greater discussion at that point in time.

**MR. CHAIRMAN:** Are we ready to pass 2.(c)?  
The Minister of Finance.

**HON. E. KOSTYRA:** Well, just to round figures and use a simple explanation, and again we're dealing with somewhat different time frames, but if we are looking at the situation where there is \$59 million of rental payments by the Government of Manitoba to MPI, the interest received on the promissory notes back to the government would be approximately \$22 million which would then net out at \$37 million. The majority of that would be the payment to the preferred shareholders and the additional administrative and costs associated with MPI.

Again, if one would equate that to borrowing on the Canadian market at 12.5 percent, those same costs would be \$50 million. So the net advantage of the transaction, in rounded terms, using those assumptions, would be \$50 million less \$37 million, which would be \$13 million.

**MR. C. MANNES:** A final question, Mr. Chairman.

Where in the government's collection of revenues, schedules where interest is being paid on debt, where in any document of government can I find where that \$16 million or \$17 million is coming back as interest payments to the government?

**HON. E. KOSTYRA:** That would be included in Public Debt Recoveries.

**MR. C. MANNES:** Mr. Chairman, I think, then, I finally got the answer to one of my fundamental questions. Other than some of the very detailed questions associated with the comments made by my colleague, I would prefer then to move off this particular subject. I think, though, there are still some questions that deal with Treasury Board and I think this would probably be the best time to ask them. I would then defer to my colleague.

**HON. E. KOSTYRA:** I thought — (Interjection) — ask questions with regard to Treasury Board; this is Treasury Division. Treasury Board comes under the Comptroller's Division.

**MR. CHAIRMAN:** We'll pass this item then.  
2.(c)—pass . . . ?

**MR. D. ORCHARD:** Could I just ask one question before we move on?

These payments re the Soldiers' Taxation Relief, what exactly is that? I notice it doesn't change year-over-year or it doesn't appear to. What is that line for?

**HON. E. KOSTYRA:** It's payments with respect to taxation relief that comes out at the arrangement during the last war and the previous war with respect to taxation relief for soldiers. It's actually a decreasing amount, but it shows the same year over year. It has been decreasing over the period of time since then and it will eventually, as they die off, be down to nothing.

**MR. C. MANNES:** Mr. Chairman, I take the Minister to his Supplementary Estimates Reference No. 3, Money Management and Banking, and I notice that Financial Cost Bank Service Fees will experience, or are forecasted to experience, a significant decrease in this present year as compared to '85-86. I'm wondering if the Minister could provide the rationale for that major drop.

**HON. E. KOSTYRA:** That was as a result of the renegotiation of the contract that exists with respect to the Royal Bank.

**MR. C. MANNES:** Mr. Chairman, I'd like to move into a discussion, the Scientific Research Tax Credit. It would be a better time in Taxation section to do that? Maybe

we can cover it there; we will cover it there, Mr. Chairman. I believe some other new information has come to light with respect to Manitoba Properties Inc. and my colleague will ask them.

**MR. D. ORCHARD:** Mr. Chairman, I forgot to pose a question based on the 1985 report to the Minister which I find as answered in the President's 1986 report. The 1985 report indicated that Manitoba Properties Inc. may well proceed into the acquisition of property for leaseback to the government. We find now in the 1986 report that indeed that happened. Note No. 6, described as a Subsequent Event, has a \$4,641,863 transaction taking place for the purchase of additional land and buildings from its two shareholder companies at their fair market value.

Mr. Chairman, we find out here in the President's report that the company acquired a further \$4,641,863 worth of real estate assets. It is also contracted with the Province of Manitoba the development of a new property in Portage la Prairie which will be leased out to the province on a triple-net basis. In addition, the company has embarked upon a program of upgrading the value of certain of the historic properties in the City of Winnipeg acquired by it from the Province of Manitoba. It is expected that the construction and renovation of these and other properties will result in a profitable increase in the company's rental income."

Mr. Chairman, it would appear from the president's report that Manitoba Properties Inc. is now not simply a borrowing mechanism, but this is going to be the government's development company, potentially beyond the close scrutiny of the Legislature.

I'd like to find out from the Minister whether this \$4,641,863 worth of real estate assets that were acquired as a subsequent event, Note No. 6, in the 1986 Financial Report, was an acquisition from the government as other acquisitions presumably were, or was this a purchase of assets from private individuals or companies in Manitoba?

**HON. E. KOSTYRA:** This was part of the original transaction or original situation with respect to Manitoba Properties, but the transactions weren't completed to this point in time, so they are part of the Provincial Government properties, nothing else.

**MR. D. ORCHARD:** Then, Mr. Chairman, it has also contracted with the Province of Manitoba for the development of a new property in Portage la Prairie.

Before Manitoba Properties Inc. was established, Government Services were the property developers, if you will, for the Province of Manitoba. Now we appear to have this Crown corporation assuming development responsibility. That begs a number of questions.

What source of funds does Manitoba Properties Inc. intend to use to develop this new property which will be leased out to the province on a triple net basis? What source of funds will they use for this development? Which department appropriation will provide that money, presumably to Manitoba Properties Inc., and why would you go outside of the traditional development pattern wherein Government Services is the developer of properties, the Law Courts building, etc., etc.? Why are we moving outside of normal government procedure

in having that role taking place in Manitoba Properties Inc.?

**HON. E. KOSTYRA:** The development still rests with the Department of Government Services. There is no change in that regard.

In terms of the Portage property, we don't know which specific property that is and we'll have to provide the member with the information subsequently. The historic properties in the City of Winnipeg relates to the building that was purchased some time ago by the province for government purposes, and that was the former Bank of Nova Scotia building on Portage Avenue.

**MR. D. ORCHARD:** I think we've got ourselves something of a dilemma here. We now have over \$900 million worth of government buildings, ownership of which is resting in Manitoba Properties Inc., and I can see, unless I'm not quite following the process here, we now have got a system where, inadvertently, through taking advantage of tax loopholes, we've transferred the ownership of our buildings to an independent entity, Manitoba Properties Inc., and now we're going to have Government Services providing monies to Manitoba Properties Inc. to do renovations to their buildings.

That's an incredible convoluted system that we're going to be into now. The Minister shakes his head that that isn't the case. Well then that begs the question that I posed earlier — where do the funds come from to undertake the development of this property in Portage la Prairie that's stated, and the future development of the old Bank of Nova Scotia building? Surely you're not telling me that the net income of Manitoba Properties Inc. is of such an extent that you've got net revenues you're going to plough back into building renovations. That surely can't be the case.

If that isn't the case, where does the money come from? It would appear to me it's still going to come from Government Services, but it's going to be a convoluted trail of financial accounting from a line department of government to Manitoba Properties Inc. to do the work because they now own the buildings; and then the leaseback, paid by the same people, Government Services that provide the capital upgrading are now going to have to provide a higher lease payment. This thing is getting absolutely bizarre, and it all stems from this group in government that tried to dodge the tax man. This thing is getting absolutely bizarre.

The more we find out about Manitoba Properties Incorporated and what they're doing, the more it begs questions, and we're not getting too doggone many answers from these people over here as to what these extra-curricular dealings are doing. We've got a president's report saying that they're developing a property in Portage, but we don't know what property it is or where the money's coming from. So I think the Minister, in all fairness, owes the House and the people of Manitoba some answers.

**HON. E. KOSTYRA:** As I indicated, we will be providing a list of all the buildings, which would include the ones that the member is making reference on.

The situation with respect to any borrowing will be covered once we deal with the subsequent Loan Act

here in the Legislature, which would clearly outline any loan authority that is needed with respect to the building or major renovations of any capital assets, buildings of the Province of Manitoba.

**MR. D. ORCHARD:** Why is it then that with new development, that we're now farming this new development out, because you indicate in here that the Province of Manitoba: "Manitoba Properties Inc. has also contracted with the Province of Manitoba for the development of a new property in Portage la Prairie." Why are you using Manitoba Properties Inc. and not Government Services to undertake that development?

**HON. E. KOSTYRA:** This is, as I indicated before, the same kind of structure that is in place in other provinces and most recently, Saskatchewan, notwithstanding the tax implications. It's set up the same kind of structure with respect to the management of their assets and it will appear and show in one place.

I would just draw the member's attention, because he's somehow suggesting that things are being hidden, and this refers to Appendix A-6 of the Budget, the various financial information, in particular on Page A-6 with respect to The Loan Act, 1986(2) and what's contemplated in there is shown, Manitoba Properties Incorporated, \$37.5 million.

**MR. D. ORCHARD:** Mr. Chairman, this is entirely the wrong place to get into the detailed discussion of that, but what kind of a palace are you building out in Portage la Prairie where you're needing loan authority for \$37.5 million? As I say, Mr. Chairman, this is one tangled web we are weaving in Manitoba Properties Inc.

Mr. Chairman, the Minister sits over there and chuckles about this, but we now have Manitoba Properties Inc. going beyond simply being a vehicle for preferred shareholder investment at a lowered interest rate to save the taxpayers on existing buildings, to now entering into a development company. The Minister of Agriculture says, why not? We want to know why, not why not, because we've never done it before. Why are you moving away from the normal process of Government Services providing the development in the Province of Manitoba? Why is this vehicle being used? That's a question that has to be answered, and particularly in light, when we get into the debate on Loan Act No. 2 where you're requesting \$37.5 million. I simply put the Minister on notice, I want a detailed account as to what \$37.5 million of loan authority will be used for in Manitoba Properties Inc.

**HON. E. KOSTYRA:** You don't have to put the Minister on notice. It's the usual practice with respect to the Loan Acts that all the information is provided for members. There's no tangled web; there's no suppressing of information. That will be provided for once that's tabled.

And it doesn't relate just to the so-called palace that the member is referring to in Portage la Prairie, but refers to all of the capital requirements as they relate to the properties of the Government of Manitoba, and that will be provided in the usual detail when we deal with Loan Act No. 2.

**MR. D. ORCHARD:** I wait with bated breath. — (Interjection) — Mr. Chairman, the Minister says ask our colleagues in Saskatchewan. We're not dealing with Saskatchewan expenditures; we're in Manitoba dealing with Manitoba taxpayers' dollars.

This Minister is derelict in his duty if he says because it's done in Saskatchewan it's all right to do it here. He has to justify to the people of Manitoba why they're doing these sorts of things. I don't care what they're doing in Saskatchewan with their property — incorporated or however they've described their vehicle.

We're responsible in this House to question this Minister and get answers as to how he is using taxpayer dollars, and because Saskatchewan is doing something doesn't justify it because on many occasions he and his colleagues criticized the Saskatchewan government for various measures they put in place.

So you can't criticize them on one hand and then embrace them lovingly on their properties incorporated because it happens to fit ducking answers in this particular appropriation. The analogy of Saskatchewan is simply not appropriate to him answering questions here on his own dealings with Manitoba Properties Inc.

**HON. E. KOSTYRA:** Well, first of all, the member makes some suggestions that we're not answering questions. We've answered every question that he's asked. We've provided the documentation to him that he's asked for, the other questions we've taken as notice. We've offered a detailed briefing if he so wants it. So any suggestions that we're not answering questions is nonsense, Mr. Chairman.

And my analogy with Saskatchewan is not to say that we shouldn't answer questions, and it's not suggesting that we are embracing Saskatchewan. The fact is the contrary is true. Saskatchewan is embracing what the government here did with respect to this. So that is not that we're embracing something they did; they're embracing something we did.

**MR. CHAIRMAN:** Let's talk about the item under discussion.

The Member for Pembina.

**MR. D. ORCHARD:** An excellent suggestion, Mr. Chairman.

Then would the Minister answer why Manitoba Properties Inc. will now become a development arm of government rather than Government Services?

**HON. E. KOSTYRA:** Manitoba Properties Inc. will be doing the funding for Government Services with respect to the development of properties. The actual development of the properties will be done by Government Services.

**MR. CHAIRMAN:** 2.(c)—pass.

Resolution No. 68: Resolved that there be granted to Her Majesty a sum not exceeding \$934,400 for Finance, Treasury Division, for the fiscal year ending the 31st day of March, 1987—pass.

Item No. 3.(a)(1), Comptroller's Division, Comptroller's Office: Salaries—pass; 3.(a)(2), Comptroller's Office: Other Expenditures—pass.

3.(b)(1), Financial and Management Systems: Salaries—pass; 3.(b)(2), Financial and Management Systems: Other Expenditures—pass.

3.(c)(1), Disbursements and Accounting: Salaries — the Member for Morris.

**MR. C. MANNESS:** Mr. Chairman, I would like to ask the Minister whether there's been any noticeable change in the time that it takes the Government of Manitoba to pay its bills. I imagine this is tracked on average over the years, and I'd ask him whether or not, in the last fiscal year, there's been any significant change.

**HON. E. KOSTYRA:** No, there hasn't been any significant change in the last year. Last year was an average of 42 days. The average that we received in terms of looking at what exists within the private sector through Dun and Bradstreet shows the overall average for the private sector at 52 days.

We have been concerned with a number of departments and there has been attempts to deal with some problem departments that are higher than the average.

**MR. C. MANNESS:** Mr. Chairman, once these problem departments come into line, can the Minister indicate on average then what that time, that lag time, will total or amount to, and what is the goal? Is there a stated goal? Is it under 40 days, for instance?

**HON. E. KOSTYRA:** The goal is 30 days and that's where we'd like to reach at least that level.

**MR. C. MANNESS:** Well, Mr. Chairman, the Minister indicates that over the last few years it sort of zeroed in at around 42 days. I would ask him, once these other departments begin to pay in a more efficient manner, whether or not that will cause the time span to drop from 42 to 30, or will there still need to be significant improvements throughout all departments of government?

**HON. E. KOSTYRA:** I'm informed that approximately half the government departments at present pay within the 30 days, and the other half pay beyond, so that if we were able to get that other half within line then the average would obviously be at the 30 level or better.

**MR. C. MANNESS:** Mr. Chairman, I would ask the Minister if he could indicate which departments in government are tardy at this point in time.

**HON. E. KOSTYRA:** We'll bring that information this evening.

**MR. CHAIRMAN:** The hour being 4:30 p.m., it is now time for Private Members' Hour. I'm therefore interrupting the proceedings of this Committee of Supply and will return at 8:00 p.m.

Call in the Speaker.

## IN SESSION

### PRIVATE MEMBERS' BUSINESS

**MADAM SPEAKER:** Private Members' Business, Debate on Second Reading, Public Bill No. 6, standing in the name of the Honourable Minister of Labour.

**HON. A. MACKLING:** Stand.

**RES. NO. 14 - PROVINCIAL INCOME TAX SYSTEM**

**MADAM SPEAKER:** On the proposed resolution, No. 14, the Honourable Member for Kildonan.

**MR. M. DOLIN:** Thank you, Madam Speaker. I move, seconded by the Member for Inkster, that WHEREAS the current income tax system is recognized as being unclear, unwieldy, unworkable and unfair; and WHEREAS recent actions by the Federal Government have worsened the situation rather than improving it; and

WHEREAS no action on income tax reform has been initiated by the Government of Canada; and

WHEREAS the Manitoba Government is deprived of a substantial proportion of its revenue as a result of this unclear, unwieldy, unworkable and unfair Federal income tax system;

THEREFORE BE IT RESOLVED that this Legislature request, as a matter of urgency, that the Government of Canada take immediate action to establish a fair, progressive and understandable income tax system; and

BE IT FURTHER RESOLVED that this Legislature support action by the Government of Manitoba to establish a provincial income tax system that is understandable, fair and progressive for Manitobans, preferably with, but if necessary without, the cooperation of the Federal Government.

**MOTION presented.**

**MADAM SPEAKER:** The Honourable Member for Kildonan.

**MR. M. DOLIN:** Thank you, Madam Speaker. I think this is a somewhat auspicious occasion to present this resolution since it is the 20th anniversary, not only of the sitting of the Member for Lakeside, but of the presentation of the Carter Commission Report on income taxation, which was presented in 1966. As the Member for Lakeside would remember, the Carter Commission was set up to review the income tax system in this country and make recommendations.

They made some very specific recommendations in a large number of volumes. Basically, they can be simplified into two categories. One is what could be referred to as vertical equity, which is a progressive, effective tax rate. The second is what could be referred to as horizontal equity, which is basically the expression which has been heard and repeated — is a buck is a buck, no matter how much you make. If you make a buck from whatever source, you pay income tax based on that buck. Carter is long gone, but not forgotten. Carter is certainly remembered by members from this side of the government.

I would like to first deal with one of the problems that everybody has, and I'd like to read a couple of headlines. One is, "Tax returns get wilder." The other one is, "Simplify the income tax."

To give an example, I would like to refer members to the income tax form which, in April of this year, they probably filled out. I would like to read one section to

make the point very clear of what we're dealing with in the way of the income tax system. We go to Schedule 3, which is "Summary of Dispositions of Capital Property in 1985 (See Line 127 in the Guide)." We go down to the bottom after you list all your Canadian securities, other securities and properties, real estate, personal use property, listed property, and I will read it just the way it is on the form.

"Note: Net listed property . . . — I'm sure the Member for Pembina has filled this out many times, and is aware of every clause in this.

**MR. D. ORCHARD:** Why do you say that, Marty?

**MR. M. DOLIN:** Because I'm absolutely certain that the Member for Pembina is aware, and, to him, this system may be a lot simpler than it is for other people. If not, I would hope that he would listen carefully and explain it to me, because without an accountant, I certainly do not understand what this form means.

It says, "Net listed personal property. Losses may only be applied against listed personal property gains . . . — then it has you file information slips — . . . or losses where applicable." It says: "T3 supplementary capital gains." Then it says: "Gains or losses from Canadian securities, Box F." Then there's a box next to that that says: "Other gains or losses, Box F", again. Underneath that, it says: "T3 supplementaries insurance segregated fund losses." Then it's blank in the first column. The second column says: "Box (P)." Then you have "T4 PS Supplementaries, Capital Gains or Losses, Box J," and then in the next column, "Box K." I'm sure other people wouldn't. I do have trouble with that.

The next column is: "T5 Supplementaries, Capital Gains Dividends." — you're all following this so far — "Box I," and the second column is once again filled in, but I don't understand. Then it says: "Net gain or loss, 533," whatever 533 means. Then it has an "A," and then it has a "534B." Then it says: "A plus B equals," and you have a blank. Then it says: "Capital loss arising from unused share purchase tax credit, 536." Then it has: "Capital loss arising from unused Scientific Research Tax Credit." Then there's a blank, and it says: ". . . times 1.47." Then it says: "537 equals."

I understood members opposite were very aware of the Scientific Research Tax Credit. As a matter of fact, I am very aware that the editor of the Free Press has used this column, and some day maybe I will get him to explain to me what it means.

"Reserves," the next line is "Reserves. Add amount, if any, of 1984 reserves, see Item H on the Line 127 in guide." Then it says: "Subtract amount, if any, of 1985 reserve; see Item H under Line 127 of guide." Then you then have "Total capital gain or loss," from which you take, "taxable capital gains, allowable capital losses, one-half of the above, total capital gain or loss." You then have: "Index Security Investment Plan Taxable Gains from Form TF1SIP." You then have: "Total Taxable Capital Gains or Allowable Capital Losses," which you "enter this amount on Line 127 of Page 1 of your return." If a loss, the amount to be entered on Page 1 of your return may be limited, and you are to complete Form TX657. Then you come up with the total. To me, it is extremely obvious and simple.

This is one of the simpler parts of the tax form. You then have one-third of all Canadians going into H and R Block or their accountants, in saying, as I say — and I'm sure even some of the honourable members from the Opposition would say — "I don't understand what this form means. I do not understand how to report my income. I do not understand what benefits are available to me under the tax laws of this country."

I went into the Library, much as Madam Speaker may not like this, to get a copy of The Income Tax Act and the regulations, so I could just put it on a desk so I could read off it. The fact is they won't let it out of the library, because it is too large and I probably would have needed a forklift to get it in here; and I do not think Madam Speaker would appreciate a forklift coming into the Legislature.

Furthermore, one of the things in this editorial simplifying the income tax is: "The final step in tax reform is to clean out the loopholes, exemptions and special provisions which make the tax system a gold mine for the well-connected and a mine field for the unwary. Also, at last count, the forms had more than 100 separate exemptions, deductions and other special considerations which, as regularly as the arrival of spring, congeal collectively to drive us around the bend." It's interesting that this unsigned editorial from the Free Press is where this information comes from and gives some figures on the effect of this.

I would then like to revert and talk a little bit more about the Carter Commission. There were 8,102 people who earned \$50,000 or more in 1983, but didn't pay any personal income tax at all in this country. There were 8,102 people who earned \$50,000 or more in 1983, but didn't pay any, zero, nada, nil, nyet, nechevo, income tax in 1983; 178 of them earned more than \$250,000.00. In December of 1985, it was estimated that \$3.4 billion in taxes were outstanding. Of this total, 9,933 individuals and companies owed \$1.5 billion.

I would like to point out that there is another item in the corporate tax sector, which I do not have the figures on in front of me, but it's deferred taxes. The corporations in this country have deferred taxes and my understanding — and I may be out by a few billion on these figures — is somewhere in the neighbourhood of \$200 billion to \$300 billion in deferred taxes from the major corporations in this country, which is taxes that they owe, that the Federal Government realize and recognize as collectible, but they defer payment indefinitely.

One of the things is, this country would not have a deficit if we got these corporations to pay up.

Let me give you an example which the Honourable Member for Pembina, I have heard referring to, and that's the SRTC. In return for a \$50,000 investment, a buyer would receive a guaranteed \$62,000 return in a few weeks. It is made up of a \$10,000 credit against federal income tax, a business loss deduction worth \$23,000 tax saving, and a guarantee the trust company in which the money was deposited, would return \$29,000.00.

This is under the headline, "Angry Investors Question Project," and this is the "sugar from trees project" that is in the constituency of the Member for Morris, where I understand they — (Interjection) — The Member for Morris says he wishes he invested in it. Well, it's right here in the newspaper. As a matter of

fact, the headline under that is, "Reporter Grapples with Lawyer," so I would hope if the Member for Morris attends the annual meeting, he stays away from reporters from the Free Press because they have a tendency to be dangerous to the investors of this corporation.

The point I'm trying to make and the point I think is becoming very clear to all of us, is not only is the tax system very unwieldy, but it's very unfair. It does not tax, as Kenneth Carter wished, on a basis of equity, on a basis of progressive taxation, or on a basis of a buck is a buck. It taxes — and it gets worse and worse as the editorial points out — that the situation not only becomes more difficult to understand but becomes more beneficial to certain people and certain corporations.

For example, what is referred to — this is also in an editorial — "Having offered the well-to-do a foolish and wasteful gift in the form of a lifetime \$500,000 exemption from capital gains . . ." What are they talking about there? I think we all know what they're talking about. They're talking about Michael Wilson, the Wilson Budget, and the Wilson Budget which takes a position, and a philosophical position which I personally find extremely offensive. It is a budget that rewards winners and punishes losers. It was made very clear by both the Prime Minister of this country and the Minister of Finance that the intent of that budget was to reward winners and punish losers.

For example, just to point out something that other people who may invest know, is the fact that in the old days if you invested in a company, bought a share in a company and you took a loss by taking a risk, you could write off that loss if you invested in stock. You can no longer do that. You are only rewarded if you're a winner.

One of the problems here is that the Carter Commission recommendations have not been implemented. The fact is the taxation system is inequitable, it's unfair, and the Province of Manitoba, under this system depends on its revenue on a percentage of this unfair system.

What is happening is after the feds have all their corporate giveaways, after the feds have all their write-offs to the capital gains winners, then the province comes in. It is the estimate in this country that we lost on the SRTC scam in Manitoba alone, somewhere in the neighbourhood of \$200 million. We don't know yet because they're auditing this.

The fact is, this is provincial revenue that could have been put in to promote investment, to promote social services, to develop our resources, to cut the deficit. It was not done.

What has to be done, and the intent of this resolution is to either ensure the cooperation of the Federal Government in tax reform, to ensure equity, a buck-is-a-buck taxation, fair progressive taxation, or that we take this tax form and we don't take 54 percent of the final bottom line; but Manitoba, as Quebec, goes on its own and takes 54 percent of the net income, minus the personal deductions, and the devil take all these ripoff deductions, all these corporate nonsense things built into the tax system that should be in a form of grants. The taxation system should not be used particularly as a giveaway program, as a social benefit program to corporate friends, it should be used as a

taxation system to provide fair payment based on ability to pay from all taxpayers in this country, on an equitable basis.

On this 20th anniversary of the tabling of the Carter Commission Report, I certainly stand here and the intent of this resolution is, alleluia, brothers and sisters, I am praying for the resurrection of Carter's Report to be brought here and considered in this House since obviously our friends in the Federal Government do not believe in the second coming.

Thank you, Madam Speaker.

**MR. C. MANNES:** Thank you very much, Madam Speaker. I feel somewhat badly, I honestly do. I was expecting the member opposite, when he was addressing this resolution, would bring forward some positive changes that he thought would be necessary to help us deal with this very real problem.

Madam Speaker, we have in place today a tax system that is difficult to understand, unquestionably. So, let me say from the outset that many of the member's comments, particularly with respect to the unwieldiness and the unclearness of the filing procedure, I concur with, but nevertheless I must say at the outset, I do not support his resolution because in my view, after listening to him, he doesn't have an understanding at all of where we've come in our tax history and he has no understanding of what the forces that be are trying to do with the system today, what they're trying to do to change it to make it fairer. I would like to spend some time addressing them if I can.

Madam Speaker, the member opposite provided me with a wonderful launch pad into discussing this resolution. Ten minutes after we finished discussing Manitoba Properties Inc., the greatest tax scam that a government has ever foisted upon a Federal Government in the history of this nation, Madam Speaker, we end up discussing tax reform.

So I say to him, I look forward to, at 8 o'clock when we move back again into Estimates of the Minister of Finance, his joining me in trying to bring forward some further explanation by the Minister of Finance today as to what his government did two years ago to allow our province to find themselves . . .

So, Madam Speaker, I look forward to his joining members on this side of the House to try and derive a deeper understanding of what the government has done in the past — (Interjection)—

**MADAM SPEAKER:** Order please.

**MR. C. MANNES:** Madam Speaker, 15 years ago Canadians welcomed tax reform. It emanated from the Carter Commission of 1966. The Liberal Government in 1971 brought into being some of the recommendations that were encompassed within that report. Yet today, Madam Speaker, the same criticisms that existed then in 1966 that caused that report to be made, the same criticisms that came about in 1971 once the Liberal Government of the day brought forward some of the recommendations in legislation, exist today because again the forms are too complex and they lend themselves to misunderstanding and to patchwork provisions and incentives and, in some cases, are working at cross purposes.

So, Madam Speaker, I empathize with the member. I empathize with any taxpayer that has to go into this form. What I find a little revealing, Madam Speaker, Schedule 3 from which the member quoted — and I couldn't follow him because I guess I must have used mine — was complicated. All you have to do is turn six pages and you come to Schedule T1C Manitoba and, of course, it's in this colour.

Madam Speaker, maybe you can tell me whether what he read is any less complicated than what I'm about to read, and I don't want to spend too much time, but it says, "Additional credit for married persons. If you were a married person at the end of '85 and your spouse has agreed that only you will claim the Manitoba Cost of Living Tax Credit" — and, of course, you have to look around the rest of the page to find the tax credit — "enter 3 percent of the total of the amounts that are claimable by your spouse on Lines 235, 246, and 247 on Page 2 of a separate return whether it is filed or not. Subtract 3 percent of the amount claimed, if any, on the line at 230 on Page 2 of your return, and that's Line 5, to that you add Line 6 and a total of the amounts is A plus B" — and what does it come to? — (Interjection) — Let not the member opposite quote to us chapter and verse of Schedule 3 of the federal portion of the tax reform without, at least, indicating that if he changes to the Manitoba portion that nothing is different.

Anyway, Madam Speaker, back to tax reform, and although many people within the nation have talked about it for the last 20 years, the reality is that it's a vexing problem and one that we're going to have to deal with, particularly, if some of us are still going to continue to fill these things out. Quite honestly, I still do mine and I live in fear that I'm going to do something wrong, Madam Speaker. So let's simplify it, by all means.

Madam Speaker, back to what's happened over the last number of years. The irony, with respect to the present tax form, is that the complexities themselves have been built in to make the tax system more progressive. — (Interjection) — The member opposite says, no. Most people don't fill out this general one. They do this short form where they're not talking about things like dividend income and, Madam Speaker, things like pension income deduction, interest and dividend deduction, provision for dividends received by a spouse, transfer of education deduction to a supporting parent, and so on have all been introduced into the tax form to make it more progressive — the favourite word of members opposite when they're talking about tax reforms. Yet the very introduction of all those items have caused a barrier to people to understand and to fill out and to compile, in their own fashion, their own form.

So, Madam Speaker, when the members opposite talk about trying to change the system and yet introduce into it the concept of so many marginal tax rates, the concept of crossing certain barriers at which you are either exempt or not exempt for certain deductions has all been put into place to placate, in general, the cries for greater fairness by the NDP party as they would claim and for greater fairness and equity. So, Madam Speaker, the only opportunity then, in my view, if you want to move to a system that is more unwieldy is then you begin to incorporate something that finally a leader

in the Western World has had the courage to do — mainly the President of the United States — talk about a system where you go to basically two or three rates, No. 1; and, secondly, you stop all those tax loopholes and you close the door on them. That, in a sense, Madam Speaker, is true courage and it's true tax reform.

Now, I find it interesting that the member opposite and the members opposite, and the Minister of Finance and the First Minister would begin to make reference over the last two or three months to something called the Carter Commission. Madam Speaker, I don't have the Carter Commission here, what I have are press releases with respect to the Carter Commission. The Carter Commission is roughly, I don't know, 1,500 pages long, but here are just the press releases covering the Carter Commission. Of course, the theory behind that was a buck is a buck, whatever the source is of income, you tax it.

Well, Madam Speaker, I asked this question in Oral Questions here about three weeks ago. I asked the First Minister, did he believe that personal benefits, given in lieu of salary, such as group life insurance, strike funds, workmen's compensation payments, should they be taxed? He didn't indicate. I would now ask the Member for Kildonan, should they be taxed? He's nodding his head in the affirmative for the record.

Well, Madam Speaker, capital gains on a principal residence, should it be taxed? Your home, should that be taxed if you sell it for a gain? Well, we've got a no and a yes, Madam Speaker. — (Interjection) — Because if you do, then you're only one step removed because, Madam Speaker, if you believe that, then you're only one step away from taxing equity in a residence whether you sell it or not, the fact that you own it. Well, there are still some people saying, yes, you should tax equity.

Well, what else did Carter say? Carter said that you had family allowances. Well, we have that tax; assistance payments, northern allowance, guaranteed income supplements should all be taxed. Yet, Madam Speaker, I would love to throw those recommendations into an NDP policy conference or into their caucus and let them debate every one of those items one by one and see if they could come to some type of consensus with respect to them.

Well, Madam Speaker, another reason we have an unwieldy tax form today is that governments over the last two decades have tried to use the tax form to encourage economic development in certain sections of the province and of the nation, pardon me, that have not had their fair share of economic activity. So, again, that's introduced another element of complexity, but the time has come when we're going to have to do something.

Now, I notice the member's resolution, and I wish I had time to go through each one of the WHEREASES because he talks about income tax on one hand, then he talks about the tax system on the other. Let's realize, Madam Speaker, that income tax is just one component of the total tax system. So I don't know to what part I should direct my comments specifically, but I believe, Madam Speaker, that we're at the point in time that we have to seriously stand back and ask the question, are we doing the proper thing in taxing income?

Really, Madam Speaker, should we tax earning ability? Should we not maybe look at the concept of taxing consumption. I mean, Madam Speaker, if you make

money, should we tax that taking it through this very complicated system of different marginal rates in trying to determine in your household whether or not certain exemptions should apply because of different family circumstances? Maybe, Madam Speaker, we should look at the concept of taxing consumption. How easy today is it to tax by way of sales tax, for instance, the purchasing, and you could extend that philosophy because it's a much easier tax to collect. It's a tax, of course, that I don't have to and you don't have to go through in detail. Madam Speaker, maybe it's a concept that we should begin to address in principle, instead of trying, specifically, to look at the whole concept of income tax. It's something I'd throw out because I don't believe that we can totally correct our problem by trying to reform this system as it exists today. But to look at a different system, then you have to pull away from income and I've never seen any commentary coming from the NDP party at any of their conventions whereby they want to tax anything than income.

Madam Speaker, maybe we should begin to look at a consumption tax. Well, what about the so-called business transfer tax? Should that be looked at? Today we have a Federal Government that is putting out a White Paper, whereby there will be a tax added to services and goods everywhere along the chain; something not too dissimilar from the value-added tax.

Madam Speaker, I asked the First Minister if he could give me a comment with respect to that concept of tax, because that is meaningful tax reform. I'm not saying that our party is going to adopt it, but it's a new approach to tax. I would ask members opposite whether they plan to address it at all, when we're debating this resolution. Madam Speaker, I think that we have to realize that there are different philosophies at work.

Madam Speaker, is my time already gone?

**MADAM SPEAKER:** Your time is expired.

**MR. C. MANNES:** . . . well, I thank the member and I'll just close by saying, at this point, we're going to have to vote against the resolution.

**MADAM SPEAKER:** The Honourable Member for Inkster.

**MR. D. SCOTT:** Madam Speaker, it's my pleasure to once again engage in speaking on one of my favourite subjects and something that I've spoken about, I believe almost every year since I've been in the Legislature, from 1981, usually on Budgets and the Throne Speeches, and any other opportunity I can during the Estimates, and in other areas as well — (Interjection) — Would the Member for Pembina please restrain himself?

Madam Speaker, isn't it appropriate that we are dealing with this, our 20th anniversary of the Carter Commission, which is the most comprehensive review of the tax system in Canada that the country has ever undertaken; and by successive Liberal and Conservative Governments rejecting the premise upon which Carter based his recommendations of taxation should take place essentially on a basis of "a buck is a buck."

By not adhering to that and by giving into their various lobbies, from well-heeled interest groups in some

Tuesday, 8 July, 1986

instances, from the New Democratic Party in Ottawa as well, who have argued against or for inclusion of some deductions that I don't believe should be there as well; we have ended up with a hodgepodge of an income tax system of both the personal and the corporate side that is becoming more and more difficult to understand. I think perhaps its greatest cost is the tremendous resources that it takes from some of the brightest minds of the country: in the accounting profession, in the legal profession, as well as the consultants and decision-makers in industry, who speak and put tremendous efforts into trying. Instead of making a decision that is the best possible return on the investment, so that a good sound business decision be undertaken; they are making decisions constantly on the basis of what gives us the greatest tax advantage. I think that is one of their biggest costs, outside of the straight dollar losses.

In a less measurable cost, I think it is absolutely horrendous when you look at the amount of time and energy that is spent by some of the leading minds in this country trying to beat the tax system. If they turned those minds around and put them into increasing productivity, and put them into developing new markets, improving the products they've got on the market now, getting outside of this country itself and extending their marketing expertise, I think the country would be far, far better off.

We have become, unfortunately, a country of people consumed by tax lawyers and tax accountants trying to develop a short-term gain at the cost of the whole country. It's got to come to an end.

The Government of Canada is recognizing that has to come to an end now, but are they going to be willing to do anything? — or are they going to be too afraid to move and too afraid to make any kind of hard decision?

They started off on one level now. After years of consideration, they finally decided — (Interjection) — could I have some order, Madam Speaker?

**MADAM SPEAKER:** Order please. Every member who wants to will have an opportunity to participate in the debate.

The Honourable Member for Inkster.

**MR. D. SCOTT:** The Government of Canada has finally taken part of the bull by the horns in introducing a modified valued-added tax. I think it's high time that we've had that tax implemented in this country and I hope that we, and all of the provincial administrations across the country, will cooperate with the Government of Canada so we don't have a piling up of different levels of taxation across the country, but have a more uniform system, although still having some flexibility on the provinces.

They're starting off with a business — what do they call it? — a business transfer tax and that may be well and good in itself. It's going to bring in several billion dollars worth of new revenues that they desperately need. It's going to be somewhat complex to administer than the current federal sales tax, perhaps. I don't think that we have any doubt in the need for the country to move and to look for developing new sources of income.

This resolution, in particular, deals primarily with the income tax system. I think that to look upon tax reform

as a simple cure-all for all the ills of the nation is wrong, but we cannot look at the ills of the nation without looking at tax reform. It's a fundamental part of that review.

You can't start off, as the Government of Canada has in the past couple of years, talking about taxing bank presidents; having minimum taxes that Mulroney talks about so much. I think that actually set us back as much as ahead in getting tax reform in the country, because it was intended to try and placate the people who were hollering for tax reform; to say, on the basis that there is 8,000 people in the country who make over \$50,000 a year and don't pay any taxes, saying that those people will all pay a minimum of tax now. Well I don't think that those people should pay a minimum tax, less of a rate of tax than the people in this House or the average wage earner pays. We need a complete revision of the system; not a bit of a patchwork quilt.

It is not very often you'll hear me stand in this House and commend the nation south of the border on efforts that they are taking, but I think have woken up to the problems they have because of the trillion dollar deficit. They are now starting a process which, I hope, by the end of September, will have finished on their own shores to totally revamp the income tax system in that country.

I'll just give you a rundown — for the members' benefit — of some things the U.S. is looking at doing. They are repealing the investment tax credit. They are going to save, or collect, in other words, an additional \$140 billion over five years by wiping that out. It's going to hurt some ministries in the short-term, no question about it, but I think that the industries are going to be making a decision. Instead of how much tax credit they can get if they buy an additional piece of equipment, they are going to be making a decision on how much they need that equipment and concentrate more in developing markets to supply, and to use the equipment they are buying and take advantage of their increased productivity instead of running after tax expenditures.

They are proposing a minimum 20 percent corporation income tax, along with wiping out a tremendous number of tax exemptions and expenditures, which they presently are able to take advantage of. They are looking at eliminating their capital gains tax, which goes right back to the Carter Commission. Capital gains, no matter how earned, except on personal property of a residence, one should — (Interjection) — I know Carter talked about the other one. Carter was talking about a complete system.

If you want to talk about the economic value of money, you would have to, in a theoretical sense, include residences the same as anything else. It's the same difficulty today, to try and find out what the monetary supply is in the country because of the different types of currencies, with the advent of credit cards and more flexible and efficient ways of transferring cash, without the actual transfer of cash in hand or through cheques; it's far more difficult to measure. It's the same thing with our income tax system and the values of assets and what they are worth. From a theoretical perspective, you've got to consider that as well. I don't think it's practical and I don't think it's possible for us to consider the taxing of capital gains on personal residences, personal property. Certainly on a second residence we should be, as we do now.

Another thing they're doing, exactly the opposite to what the Government of Canada did, they are limiting the equivalent of RRSP's deductibility to, I believe, it's about two grand a year. I think that level is too high, personally. It should be probably \$3,500 or \$4,000, maybe \$6,000 a year for a person who's self employed, but it's absolutely nuts for us to be going up to a \$15,000 limit of a tax deduction for people in this country, which the Mulroney Government is proposing and that's going to cost us a small fortune.

Right now, RRSP's in 1986, it's estimated that they're costing this government \$32 million in lost revenues; and I would ask you guys and members opposite, as well as members on this side of the House, guys and women on the other side of the House — I use that as a non-sexist term by the way — that the Manitoba Tax Expenditure Account on Page C-8 of your Budget Address gives you some idea of just how much money the government has given up on by creating these tax expenditures.

In Manitoba alone, it adds up to almost \$400 million, but you can't wipe those all out overnight. In the U.S., who I think is taking a proper approach to it, in that they're wiping out a great number of the tax expenditures and, the converse, are reducing the basic tax rate that people are going to have to pay. They're talking of between a 28 percent, a 35 percent or 36 percent top marginal rate and starting off down at the 15 percent rate and going up to a maximum. It will probably work out in the mid-thirties, I would suspect, when they get into the conference board.

That is what we are going to have to be looking at, and I give a great amount of credit to our Minister of Finance as he's the only Minister of Finance that I'm aware of in the whole country, certainly in a 1986 Budget, to make a serious commitment to undertaking tax reform. It's going to be very difficult for us — (Interjection) — the Minister of Finance, if you guys would have listened to the current one and the previous one as well. The previous Minister of Finance, for one after another of the federal-provincial conferences got up and put forward a position from the Province of Manitoba.

We led the whole darn country in saying, listen you guys, get your heads out of the sand. This country needs tax reform. The members opposite laugh. They think this is a big joke. They think that they are going to be able to settle — the Member for Morris, in the Budget Debate, got up and made a comment. I believe he said tens of millions, hundreds of millions of dollars worth of expenditures that he was going to be able to dip his hand in and pull out of the provincial expenditures. I'd love for him to define where they all are.

When you look at the Canadian deficit, the Canadian deficit right now is about \$30 billion for the Government of Canada alone. Of that deficit we now have, as the Auditor-General using figures from two years ago now, estimated our tax expenditures were between \$30 billion and \$50 billion, so it's kind of foolish for a country to be talking about being in a desperate financial situation when their tax system is allowing 1.75 times the government's deficit to slip through their hands. It just doesn't make any sense. The members opposite like that and they want to keep it like that.

What we are saying on this side is that we can move toward a much simpler tax form for most individuals

and the Government of Quebec has already done it with their tax system. They've only got an eight-line tax return and it probably satisfies 75 percent of the total number of tax filers in the province who are probably able to use that simple eight-line tax reform.

There's no reason whatsoever that we in this province can't implement a similar system. For me, I'm so committed to this whole idea of tax reform that if the Government of Canada does not move, I think that we as the Province of Manitoba, should move on our own. The members opposite say we're jumping from the frying pan into the fire. They, in all the costs estimates that I'm aware of that have been done so far for a Manitoba administered income tax system, have been done based on the federal income tax system we have today.

If the feds want to continue with their system, fine. Let them take the rap for that, but we could administer at a small fraction of the cost, a simplified Manitoba income tax system, both on the corporate side and on the personal income tax side. I think that is feasible. I'll have to be proven in spades by the various estimates over time, but I am willing for us to go out to take a solid look at that and to make a commitment to do that; and if we can get in a few other provinces who are willing to do the same thing, perhaps some of us can get together to make a combined, maybe Manitoba and Saskatchewan, maybe even Ontario would get into it as well. If the Government of Canada won't, then we can force them to by the provinces working together on their own. That may be one tax tool we'll have to resort to. I hope we don't.

I hope that Mulroney will get rid of enough blarney that he's been giving us over time and that he will listen to some of the people in his Cabinet and move forward with meaningful tax reform on the personal income tax system, as well as on the corporate income tax system.

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MADAM SPEAKER:** Order please. I'm sure if the Honourable Member for Riel wants to participate in the debate he'll have an opportunity.

**MR. D. SCOTT:** In conclusion, Madam Speaker, we have to be able to present to the government or to the people of the country, the people of this province — they are willing to pay taxes; they have shown that. We have one of the highest obedience records of any nation on Earth of people willing to pay their incomes taxes, but they have to feel sure that those taxes are collected in a fair and equitable fashion, and that is where we are heading, on this side of the House, to create a fairer and a more equitable tax system. I only wish we had the support of the members opposite to begin pursuing that admirable goal.

Thank you very much, Madam Speaker.

**MADAM SPEAKER:** The Honourable Member for Pembina.

**MR. D. ORCHARD:** We now know why the Minister of Finance needs to have that large line of severance pay in his Estimates, because it had to be used to get rid of that fellow in the Finance Department about six years ago.

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MADAM SPEAKER:** Order please.

**MR. D. ORCHARD:** His understanding of finances could be put in a thimble and have twice enough room.

Madam Speaker, I didn't think that I would be in this House long enough for members of the New Democratic Party, that party of socialism that is controlled, supported and bought and owned by the labour unions would be putting forth a resolution supporting Peter Pocklington and a flat tax system to make equity in the taxation system. I never thought I'd see the day; and I furthermore didn't think I'd ever see the day where the Member for Kildonan would bring in a resolution which would endorse basically, Reaganomics and the Reagan reform to the tax system.

I guess if you've ever heard Bruce Springsteen's song, "My Home Town," I guess old ties just simply don't die very easily and that's what we're seeing happening. The Member for Kildonan, in introducing this, mentioned a very interesting thing. He said that deferred taxation liability is in the neighbourhood, he guesstimated of \$200 billion to \$300 billion. The reason we can't support this resolution on this side of the House is that it is brought forth by a political party that says one thing and does the other, does the exact opposite.

As the Member for Rupertsland would say, on taxation reform, you people speak with forked tongue, because you say one thing and you do the opposite. In terms of deferred taxation, I want to refer my honourable friend from Kildonan to the 1986 Manitoba Properties Incorporated Annual Report, wherein the Province of Manitoba has, in two short years, not complete years, already built the taxation system of over \$11 million in deferred taxation which the Minister of Finance today said will never be paid.

His own government is bilking and ripping off the tax system and doesn't have credibility when they bring these kinds of resolutions forth. That's why the former Minister of Finance, when he made his pleas as was mentioned by the last speaker, at federal conferences wasn't listened to because the Federal Government had to change the tax system because of a tax evasion system he brought into Manitoba Properties Inc That's what happened.

Furthermore, Madam Speaker, the reason we find difficulty supporting this is that this party which talks of tax reform is the same party that has the artful dodger from Transcona as a member, and forget-me-not from Radisson as a member, the guys who took advantage of the SRTC tax scams, I mean, were there, and they're asking us to stand up and support this kind of resolution.

Now, Madam Speaker, I want to quote from a document that is near and dear to the Member for Kildonan's heart. That is the latest Budget document, Page 10, in which it says: "Investment spending remains weak in the three westernmost provinces and Atlantic Canada. Ordinary Canadians are reducing their spending due to higher federal taxes and reduced income supports. . . "etc., etc., higher taxes, reduced spending by ordinary Manitobans.

Now, given that is a factual statement by the Minister of Finance, what does the Member for Kildonan and his colleagues believe would happen if the \$35 billion

to \$50 billion that slip through the taxman annually in the Ottawa-controlled tax system, what would that do to the investment spending of ordinary Manitobans, ordinary Canadians, ordinary Canadian corporations? What would it do?

You can't have it both ways. You can't bash the Federal Government for increased taxation causing decreased consumer spending, hence a downturn in the economy, and turn around and demand that you get \$35 billion to \$50 billion more annually out of the taxation system, which the supportive documents indicate is the number you have targeted. You can't have it both ways.

That's the problem with this resolution, Madam Speaker, because when these people talk of tax reform, they don't get down to specifics. They will not mention what areas of tax reform they want to change. In the entire presentation by the Mover of this resolution, he never offered one change to the taxation system, other than setting up a Manitoba bureaucracy to collect taxes, as has been done in Quebec.

Madam Speaker, I don't believe that is the solution to taxation reform in Manitoba. It certainly isn't. It will not work. It will create another bureaucracy, layer more civil servants onto the people of Manitoba, but it won't solve the problem, Madam Speaker.

Madam Speaker, I want to ask the Member for Kildonan, I want to ask him quite simply: does he believe in terms of the tax reforms that he so supports that the one-third tax-free indemnity, portion of our indemnity as MLA's, should be eliminated, because you know that's a tax loophole? Should capital investment tax credits be eliminated? Because you know, the Federal Government just eliminated capital investment tax credits. Now the interesting thing . . .

**MADAM SPEAKER:** Order please, order please.

The Honourable Member for Kildonan on a point of order.

**MR. M. DOLIN:** Madam Speaker, the member directed a question to me. I'm wondering if he wishes a response.

**MR. D. ORCHARD:** Madam Speaker, the capital investment tax credit system was eliminated by the Federal Government in gradual stages with this last Budget. Do you know who stood up and criticized the Federal Government for removing it after the Minister of Consumer and Corporate Affairs from his seat says yes, it should be eliminated? The Minister of Agriculture, because he said, it hurts farmers. When are you guys going to get your act together? One of you says it should go. The Minister of Agriculture says it should stay. You speak with forked tongue when you talk taxation reform. You always have, and you always will.

Now you people also want to remove the current exemption on capital gains taxation which was brought in by the Mulroney Government. You want to remove that. I see heads nodding over there. You want to remove the capital gains tax exemption. You know what that means, Madam Speaker, to the average farmer across this province, the average farmer who is a Manitoban who deserves the support of government? His retirement fund is tied up in his land, because there aren't too many farmers out there who have registered

retirement funds, etc., etc., because every single dollar that they earn is ploughed back into the equity of their farming property and their machinery and equipment. You people would tax that retirement fund. Sure, they would, and they want that exemption removed.

Do we have more dissension on the back bench? Is the Minister of Natural Resources saying no, and the Member for Kildonan saying yes? That's not unusual, Madam Speaker, because on taxation reform we have our honourable friends over there speaking with forked tongue. They don't tell Manitobans and Canadians what taxation reform means. That is where the difficulty comes in, because it is nice rhetoric.

It is beautiful rhetoric to stand up and say that there are some people who are getting away without paying taxes. It's the old — who was the writer who developed that theory where you — I think it was Karl Marx, wasn't it? — have to set up a straw man to attack. Well start naming these people who don't pay taxes. When you wish them to pay their fair share of taxes, you must answer the question to the rest of the Canadian citizens who, because of the investment made by that person through his tax avoidance schemes because he has to make some sort of investment at some point in time, that investment is generally creating jobs. What do you say to the ordinary Manitobans and the ordinary Canadians employed in those firms that have been created and are working to produce useable goods and services under the taxation system as it exists today?

It's fine and dandy to talk about taxation reform, because it is a motherhood issue. It's nice to throw up the \$1 million income individual who pays no taxes, and hold him out as the cause of all evil and the cause of all problems in our financial situation in Manitoba and Canada. But until you identify and go full circle and explain what the implications of your tax reform are and what tax reforms you wish to bring forward you are talking nothing but motherhood and you are talking something that you probably cannot sell.

Now I have to tell you that, when Peter Pocklington proposed the flat tax system, that had a lot of merit. That had indeed a lot of merit because, No. 1, the complication that's currently in the taxation form, both provincially and federally, boggles your mind. Madam Speaker, the simplification of the Pocklington taxation proposal would cause some unemployment in the Finance Departments in Ottawa and the Province of Manitoba.

**MADAM SPEAKER:** Order please. The hour being 5:30, I'm interrupting the honourable member who will have four minutes remaining when this issue is again before the House.

I am leaving the Chair, with the understanding that the House will reconvene at 8:00 p.m. in Committee of Supply.