

## LEGISLATIVE ASSEMBLY OF MANITOBA

Wednesday, 23 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 . . . Ministerial Statements and Tabling of Reports . . . Notices of Motion . . .

### INTRODUCTION OF BILLS

**MR. M. DOLIN** introduced, by leave, Bill No. 47, An Act to amend An Act to provide for the establishment and maintenance of a Boys' and Girls' Band in the Town of Dauphin; Loi modifiant la Loi intitulée "An Act to provide for the establishment and maintenance of a Boys' and Girls' Band in the Town of Dauphin".

### ORAL QUESTIONS

#### Credit Rating, Province of Manitoba - Standard and Poor's

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

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

My question is for the Minister of Finance and I'm sure that all Manitobans were surprised and upset to learn so quickly of the drop in credit rating which we experienced from Standard and Poor's rating agency yesterday.

This, of course, is the third time in the four-year term of this NDP administration that we have received a credit rating drop from the rating agencies.

My question, Madam Speaker, to the Minister of Finance, is what information did he provide to the Standard and Poor's Credit Rating Agency when he met with them recently that caused them to change the credit watch status which they had placed on Manitoba just two weeks earlier into a credit rating drop?

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

**HON. E. KOSTYRA:** Thank you, Madam Speaker, the information that was provided to Standard and Poor's related to details that they wished on aspects of the provincial budget and the provincial economy. It was an elaboration on information that was provided to them prior to them placing a credit watch. It was clear at the time that they placed the credit watch, as was stated by them at that time, that the credit watch was put in place with negative consequences, which meant that they were looking at the possibility of adjusting Manitoba's credit rating. I certainly regret and am disappointed with the decision of the rating agency with regard to the credit situation in Manitoba, but I

believe the decisions that this government have taken with respect to investments in the province, with respect to expenditures, are the right decisions for the people of the province of Manitoba.

**MR. G. FILMON:** Madam Speaker, my question is for the Premier. In view of the fact that the senior vice-president of this credit rating agency has said that this will mean an increase in the interest rates that we will have to pay, a 15 to 20 basis points, I wonder if the Premier can indicate how much such a rating decrease and consequent increase in interest rates will cost the taxpayers of Manitoba.

**MADAM SPEAKER:** The Honourable First Minister.

**HON. H. PAWLEY:** Madam Speaker, the Minister of Finance would deal in detail with that. Needless to say, I think we've been gratified as a result of the response insofar as the \$150 million, 7.75 percent Province of Manitoba debenture due in July, 2016. It's been completed; it's been closed; and has been quite successful according to the reports that I have received from the Department of Finance in regard to that.

Insofar as additional costs as a result of Standard and Poor's rating being consistent with that of Moody, which existed previously, that is a matter that the Minister of Finance would deal with. I think that there will be some additional cost, of course, to the province insofar as its rating is concerned. The precise amount is one that would have to be estimated by the Minister of Finance.

**MR. G. FILMON:** Madam Speaker, my question to the Premier is: In view of the fact that the agency vice-president is quoted as saying that "they were not satisfied with the province's explanations as to how it would reduce its debt," what plans does the Premier have to get our finances and our administration in order, and that once more we can restore our good status, in terms of the administration of this province and our reputation has a good place in which to invest.

**HON. H. PAWLEY:** Madam Speaker, the Minister of Finance will respond to that at some length, although I do want to indicate to the Leader of the Opposition that his premises are not accurate.

**HON. E. KOSTYRA:** In terms of the comment that the Leader of the Opposition made with respect to the cost to the province, I don't know of what he quotes because I met with those individuals from Standard and Poor's and they gave no such indication to me. I did ask our lead underwriters in New York, Solomon Bros., in fact, asked the lead trader in terms of what he saw as the potential impact of any change, and he said at present market conditions that it could be up to 5 basis points, which is equivalent of 1/20 of a percent. So I don't know of the figures that the Leader of the Opposition speaks.

I would also say that the issue that was successfully concluded, the \$150 million debenture in the United States at 7.75, was put on the market prior to the credit watch being put in place, was marketed through the period of time when the credit watch, with potential negative consequences, was put on. All the investors were aware of the potential adjustment in Manitoba's credit rating, but those investors had confidence in Manitoba to purchase those at the original conditions which reaffirmed the position that was advanced prior to the credit watch.

This government is concerned about overall government expenditures. This government is concerned about the deficit and budgetary requirements. We are and have indicated that we will take steps to deal with that. But, Madam Speaker, we will not take those steps simply to satisfy the needs and requirements of a rating agency in New York. We will take those decisions on the basis of the needs of Manitobans.

The position of the Leader of the Opposition, as reported today in the Free Press, would be to take the position to throw 600-odd Manitobans out of work in The Pas in order to satisfy the needs of the rating agencies. We will not take those decisions. We will look at the finances in a prudent fashion, Madam Speaker, in a way that meets the needs of Manitobans.

**MR. G. FILMON:** Madam Speaker, we are the ones who are saying that we don't want to have millions of dollars spent unnecessarily on increased borrowing costs because that impacts negatively on the people of Manitoba.

Madam Speaker, for the information of the Minister who asked where I was getting the information, it's a quotation from Phillip Bates, Senior Vice-President of Standard and Poor's who said a rating drop usually increases interest rates by 15 or 20 basis points.

My further question to the Premier, Madam Speaker, and I would hope that, rather than simply introduce me to the Minister of Finance, he'd answer it himself, is: What does he intend to do to ensure that we once more restore Manitoba's image as a soundly administered province, as a fiscally responsible province and one that is a good place to invest?

**HON. H. PAWLEY:** Madam Speaker, I have no doubt, although the Leader of the Opposition appears to have some doubt, that Manitoba's reputation remains as fiscally responsible, as a Province that is a good place to invest, and operates in a financially responsible manner. Madam Speaker, there has been no indication other than that.

**MR. G. FILMON:** Madam Speaker, today the Minister of Finance is quoted as saying that they could avoid some of the consequences of the credit rating drop by investing in other markets. Does this mean that the Minister of Finance is now contemplating additional foreign borrowing?

**HON. E. KOSTYRA:** The suggestion by the Leader of the Opposition that because of this adjustment by Standard and Poor's that Manitoba is not a good place to invest is simply not true, even in the statement that

was released by Standard and Poor's with respect to this adjustment by them indicates that the provincial economy in Manitoba benefiting by public investment in employment programs, housing and the Limestone Hydro project has expanded steadily in recent years and has one of the lowest unemployment rates in Canada.

Indeed, our lead underwriters in New York, Madam Speaker, have indicated to us - and I'll give a copy of this to the Leader of the Opposition - that he believes, and they believe, on behalf of themselves, Solomon Bros., and on behalf of Merrill Lynch, Wood Gundy, Richardson Greenshields, and First Boston, that they believe that Manitoba still has and will have a significant reputation in the United States with respect to investment. Indeed, they say that: "We are confident that the Province of Manitoba will continue to be well received in the U.S. markets on a cost-competitive basis."

It is simply not true to suggest, as the Leader of the Opposition would suggest for his own purposes, that Manitoba is not a good place to invest. Manitoba is a good place to invest, Madam Speaker. The figures on private sector investment prove that, and it will continue to be a good place to invest in Canada.

**MR. G. FILMON:** My question to the Premier is when did he first learn of this reduction in credit rate?

**HON. H. PAWLEY:** Sometime yesterday afternoon, Madam Speaker.

### Foreign Exchange losses

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

**MR. C. MANNES:** Thank you very much, Madam Speaker.

Last year the Province of Manitoba lost \$1 billion in foreign exchange fluctuation, \$255 million of that within the Japanese yen account alone. In spite of that, Madam Speaker, the government authorized, signed Order-in-Council 495 authorizing the borrowing of another \$20 billion - pardon me, 20 billion Japanese yen. The government attempted to amend the borrowing contract by Order-in-Council No. 601, whereby dates were to be changed to negate a further deterioration in the Canadian dollar versus the Japanese yen. Since then, that whole borrowing issue has been cancelled.

I would ask the Premier, Madam Speaker, what action is the Provincial Government taking to reduce the impact, the massive foreign exchange losses? In 1986-87 alone, four months, Madam Speaker, those losses have totalled \$130 million and that's in the Japanese yen account alone.

What action is this government taking with respect to those foreign exchange losses?

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

**HON. E. KOSTYRA:** Thank you, Madam Speaker.

As has been the case for a number of years, the Province of Manitoba, looking at its borrowing

requirements, looks at a number of markets including, where possible, the Canadian market, the U.S. market, and other markets throughout the world.

I would just point out that this recent successful issue in the United States of \$150 million was the first issue by the Province of Manitoba in the U.S. market for a number of years, four years, because of that particular market situation.

The province has, as has been the case for many years, had strategy to look at all of the markets, looking at what the interest rates are and the impact of potential exchange requirements.

If one was to look at the cost as against borrowing in those markets, even taking into account the fluctuations in exchange rates, as against the cost of borrowing those monies in Canada, one would find that there still is a net saving to the Province of Manitoba in the overall costs of those borrowings.

### Foreign Borrowings

**MR. C. MANNES:** Madam Speaker, the Minister refuses to indicate whether the province is prepared, or is contemplating more foreign borrowings. I would ask the Minister of Finance directly: Why would the government consider going back into the Japanese market when they had lost \$255 million in foreign exchange fluctuations in that market alone in the last fiscal year?

**HON. E. KOSTYRA:** If one wants to review history, we can, and look back at losses that were incurred as a result of heavy borrowings in the past in the U.S. market, as an example, during that time that his party was in government. The facts are that the situation with respect to various borrowings have impact based on exchange rate and based on the cost of borrowing in Canada.

The situation is that we will be looking at all markets on the basis of what is in the best interests in terms of the interest costs and the cost of potential exchange variations, the best deal for Manitobans.

### Foreign Exchange Losses

**MR. C. MANNES:** Madam Speaker, I have in my hands the Budget, and I refer to Page A-8, where in the last fiscal year this province lost in foreign exchange losses in the American market a sum of \$518 million. So maybe the Minister would like to correct his answer.

Madam Speaker, obviously, the Minister has no answer to the question. I asked him if he wanted to correct his answer with respect to how secure borrowing was in the American market or, indeed, any foreign market.

I would ask this question: What action will the government take with respect to the \$28 million lost already within the Deutsche mark market on total borrowings of \$290 million?

This province in this fiscal already has lost \$28 million in foreign exchange losses within that market.

**HON. E. KOSTYRA:** As I indicated in the past, the province looks at, as has been the case in the past, a variety of borrowings based on the interest rates that

are available at the time, recognizing the impact of exchange on those various issues and the state of those markets.

If one reviews overall the borrowing cost as against what it would cost us to borrow the same funds if one had to borrow them in Canada, you'll find that there is a net saving in interest costs to the Province of Manitoba.

**MR. C. MANNES:** Madam Speaker, I'll ask the Minister of Finance.

Are we - and the Minister is talking about effective yields - setting aside a reserve to take into account those savings which are momentary, Madam Speaker, so to put them into reserve to have them in place to offset the massive foreign exchange losses that have occurred in the past and will continue probably in the future to offset those losses.

Is the Minister taking the savings associated with the interest rates and putting them in trust to have them in a place to offset the foreign exchange losses?

**HON. E. KOSTYRA:** As the member is aware, those charges appear on a regular basis on the books of the Province of Manitoba so we aren't setting up any special reserves with respect to that fund. The costs or the benefits are shown on a yearly basis as the interest charges as against the Province of Manitoba, or as netted out against the various Crown corporations for which that borrowing is done of a self-sustaining nature.

**MR. C. MANNES:** Madam Speaker, we lost a billion dollars in foreign exchange losses last year; we've already lost upwards of \$300 million this year.

My question is to the Premier: When is he going to come to grips with the seriousness of these massive foreign exchange losses and when he is going to put into place our fiscal situation and provide some leadership that will help prevent the province from becoming a basket case of borrowing?

**MADAM SPEAKER:** The Honourable First Minister.

**HON. H. PAWLEY:** Madam Speaker, Manitoba is prepared to do its part by the continuation of the policies that are directed towards the strengthening of this economy in Manitoba by way of employment growth, by way of the development of capital investment, private investment, housing, that outpaces the Canadian average in each respect.

Madam Speaker, economic construction, economic buildup in the province of Manitoba, which is considered, by way of all objective analysts, to be amongst the best by way of performances, including Standard and Poor's in their report of provinces in Canada. That is the way we can best deal with the financial situation.

Questions pertaining to fluctuation of the currency are international, and particularly the Canadian currency, Madam Speaker, is a matter that is or ought to be a concern of the Canadian Government.

### Brandon University - Perkins' settlement

**MADAM SPEAKER:** The Honourable Member for Brandon West.

**MR. J. McRAE:** Madam Speaker, my question is directed to the Minister of Education.

On Thursday, July 10th, I asked the Minister whether funds administered by Brandon University, on behalf of the people of Manitoba, were being used to settle a law suit between Dr. Harold Perkins and Mr. Errol Black. The Minister responded by saying that he certainly hoped not but that he would check. He went on, Madam Speaker, to say that it was a spurious allegation.

The next day, Madam Speaker, the Minister said in the question period, and I quote: "Madam Speaker, yesterday the Member for Brandon West asked me about the relationship between the University Board of Governors and the professor at the university. I indicated at that time it was a spurious allegation. I can confirm today that it was."

I ask the Minister today, Madam Speaker: Does he stand by that answer?

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

**HON. J. STORIE:** Yes, Madam Speaker, I contacted Dr. Stewart and that was what was indicated to me.

**MR. J. McCRAE:** Madam Speaker, last week the Premier wrote to the Board of Governors at Brandon University asking them to do the right thing and to make public the terms of settlement between the board and Dr. Harold Perkins. The Premier also told us that if he didn't receive a satisfactory reply within a few days that he would take further action.

I wonder if the Premier can table the document today.

**MADAM SPEAKER:** The Honourable First Minister.

**HON. H. PAWLEY:** Madam Speaker, I don't know what document the honourable member is referring to. The letter which was referred to the University of Brandon was tabled in this Legislature

**A MEMBER:** The one you wrote about, Howie; a settlement document.

**HON. H. PAWLEY:** Madam Speaker, I can hear the questions just as well as honourable members across the way.

The document involving the settlement is expected to be tabled by Brandon University, and it's my understanding that the lawyers for the parties that have interest in this matter have met to discuss same.

**MR. J. McCRAE:** Madam Speaker, to me, a few days means a few days; it doesn't mean weeks.

I would ask the Premier or the Minister of Education whether it's their intention to hold the members of the Board of Governors - presumably, government members recommended by the Honourable Minister of Employment Services and Economic Security - is it the intention of the government to hold those members of the Board of Governors personally responsible for the firing which has resulted in the settlement which will be hopefully coming very shortly.

**HON. J. STORIE:** Madam Speaker, without getting into the merits of the member's suggestion, I would indicate

that regardless of how this issue has been resolved, the question that was being asked in Brandon at the university, in the community in 1983, was a question of leadership at Brandon University. That issue had to be resolved.

The member opposite has indicated, I have heard from people in Brandon, and the community in general, I understand, is very supportive of the current leadership at Brandon University.

Madam Speaker, it is an important institution. It requires a leader that has the confidence of the students and staff and the community of Brandon University. While there is sometimes no easy way to change leadership, a change was required.

Madam Speaker, I have not heard from members opposite any indication that the current leadership is lacking. I believe it is what has been desired and what is desirable in terms of Brandon University and the community generally.

### Brandon University - Board of Governors

**MR. J. McCRAE:** Madam Speaker, I have a new question for the Minister. Repeatedly in this House, the Minister of Education and the Premier make reference to the services being rendered by Brandon University by Dr. Mallea, the new president of the university. There is no question that the things that they are saying are true. I wonder why it is that the Minister and the Premier find it necessary to deflect attention away from the Board of Governors which had the power and did indeed fire Dr. Perkins, and presumably has the same power to do that to Dr. Mallea. The question is: Why must this government deflect attention away from the Board of Governors, which is the real power at that university?

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

**HON. J. STORIE:** Madam Speaker, I point out to the honourable member that the Board of Governors made the change, the change which he applauds. I point out that the Board of Governors consists of 17 members, representatives from the community, representatives from the student body. Madam Speaker, a change was required, a change was made. — (Interjection) —

The implication that comes from members opposite bears no relationship to the facts of the matter, the historical facts of the matter. Madam Speaker, the Board of Governors, as I've indicated, is an autonomous body and is representative of the committee and is a body of 17 individuals, not just appointees from the Provincial Government.

### Credit rating, Province of Manitoba - Standard and Poor's

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

**MR. M. DOLIN:** Thank you, Madam Speaker. My question is to the Minister of Finance.

In the correspondence received from Standard and Poor's, explaining their reclassification of Manitoba's

credit rating, was there any reference to transfer payments between the Federal Government and the province?

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

**HON. E. KOSTYRA:** Thank you, Madam Speaker.

I note that members opposite laughed when the question was asked, but I think that Manitobans are interested in that question and would certainly be interested in the answer.

Yes, indeed, Madam Speaker, Standard and Poor's did indicate in their reason for the change in Manitoba's credit rating that they saw very much a change in the transfer payment issue with the Federal Government. In fact, they commented that the province's flexibility, in terms of revenue, was limited to only in-province revenue sources, because they clearly saw that the Federal Government was cutting back on support to the province.

So I would now suggest that maybe members opposite and the editorial writers at the Winnipeg Free Press would like to review their position because they would not believe the position of the Province of Manitoba. They would not believe the position of Conservative Governments in other parts of Canada, that Manitoba has - and other provinces in Canada have - been impacted negatively by the transfer payments of the Federal Government.

**MR. M. DOLIN:** A supplementary to the Minister of Finance.

Is the implication in Standard and Poor's letter that if Bill C-96 were not to pass, that our credit rating could be reviewed again and probably upward?

**HON. E. KOSTYRA:** That is a good question. I can't say that would be the case, that obviously that would add to the flexibility that the province would have in terms of revenue sources.

It seems that members opposite are not interested in the answer to the question, but I know, Madam Speaker, that Manitobans are interested in this — (Interjection) — issue.

**MADAM SPEAKER:** Order please.

**HON. E. KOSTYRA:** Clearly, that area and that source of revenue is an important source for the Province of Manitoba, as it is for other provinces in Canada. If you look at the situation, with respect to adjustments of credit ratings in the provinces, it's been those provinces that have been most heavily impacted by the transfer cut decisions of the Federal Government that have had changes in their credit ratings over the past year.

### Bridge - North Selkirk

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

**MR. D. ORCHARD:** Thank you, Madam Speaker. My question is for the Minister of Highways and Transportation.

In view of the fact that our province has had its third reduction in credit rating due to the extravagant spending patterns of this government, could the Minister of Highways and Transportation indicate whether the Selkirk bridge, which was originally estimated at \$10.3 million, most recently upgraded to \$19.5 million, whether an \$8 million overrun on cost and waste of money is where the bridge is finally going to come in, at cost?

**MADAM SPEAKER:** The Honourable Minister of Highways and Transportation.

**HON. J. PLOHMAN:** Madam Speaker, this matter was reviewed extensively during the Estimates process. The Member for Pembina received all of the answers at that particular time and is aware of the various reasons why there was an additional cost associated with that particular bridge.

I think he should peruse Hansard and he'll be very much able to understand the reasons for it.

**MR. D. ORCHARD:** Madam Speaker, the Minister of Transportation didn't obviously understand the question.

The cost estimate on the bridge has risen from \$10.3 million originally, to some \$19.6 million at last estimate. What I asked the Minister is whether the \$19.6 million is now a firm figure on the completed cost of that bridge, almost double from the original estimate?

**HON. J. PLOHMAN:** Madam Speaker, the member - as I've indicated - could find the answers in Hansard.

He's aware that the original estimate was simply a preliminary estimate. It did not take into consideration the fact that there would have to be an additional height to accommodate the federal dredge and the Navigable Waters Boards, who would have to approve any crossings of major waterways in this province. Therefore, the initial costs were preliminary only in nature. This is the case with many projects which are undertaken, both in the Department of Highways and Transportation, of course, and in others, where preliminary estimates are given. However, once the details are worked out, obviously these change from time to time and that was the case here.

In this particular case, the tenders are coming in lower than the final estimates, Madam Speaker, and we're very pleased to see that.

**MR. D. ORCHARD:** With lower tenders and an almost double-the-cost bridge, I'd hate to see that the tenders come in on this department's budget, Madam Speaker.

**MADAM SPEAKER:** Question.

**MR. D. ORCHARD:** Madam Speaker, my question for the Minister of Government Services, and the Minister of Highways and Transportation is: Have the landowners been equitably settled with in the expropriation process for the new Selkirk bridge?

**HON. J. PLOHMAN:** Madam Speaker, the landowners are being treated, as I did outline during the Estimates discussion, and I will have the opportunity and the member opposite will have the opportunity to discuss

during the Government Services Estimates when we discuss Land Acquisition and the Land Value Appraisal Commission. They are being treated the same in the case of the Selkirk bridge as they are with all the projects under the expropriation procedures; and those procedures are being adhered to in the same way that they are for all projects.

I will take as notice as to whether the settlements have been finalized in all cases at this time.

### Gimli Dragways

**MADAM SPEAKER:** The Honourable Member for Sturgeon Creek.

**MR. F. JOHNSTON:** Thank you, Madam Speaker. My question is to the Minister of Public Works.

The Winnipeg Sports Car Club and the Gimli Dragways leased a motor sport at the Gimli Industrial Park and they hold drag races at that park. Because the government erred in leasing some land to the Dimar Training Systems, we find that the dragway land is too small to carry on the sports car races. It has developed in a cancellation of sport car races and if the problem is not solved, and it appears, Madam Speaker, that the problem is not solved, the long weekend in August races, which are attached to the Icelandic Festival, will not be held.

What will the Minister do, to see that this tourist attraction which brings in a lot of money to the Province of Manitoba, brings in cars from outside of the province to race at Gimli, to solve this situation?

**MADAM SPEAKER:** The Honourable Minister of Government Services.

**HON. J. PLOHMAN:** Madam Speaker, I don't agree with the premise that the member has raised that the province erred in the lease. What we have is a disagreement between a sub-lessee and a leaseholder at the Gimli properties. Gimli Dragways have sub-leased from the Winnipeg Sports Car Club a section of the old runway at the Gimli Industrial Park and there has been a lease arrangement made with Dimar Training Systems for another portion of that area of the runway. The Gimli Dragways had left the impression clearly with our staff people that they were satisfied with the amount of property they were leasing for their drag races to be undertaken as they have in previous years.

However, it is found now that indeed that is not the case and so there is a dispute between the two. We are hopeful that the two parties will be able to come to some agreement that is satisfactory to both parties and have left that in their hands for the next couple of weeks to see whether there can be arrangement arrived at between the two parties.

**MR. F. JOHNSTON:** Did the Minister's department consult with the Dragways or the Winnipeg Sports Car Club before entering into the lease for discussions with Dimar?

**HON. J. PLOHMAN:** Madam Speaker, it's not usually the case that when a group is leasing a piece of property or owns a piece of property and they are using additional

property that is owned by someone else that if the owner wants to lease or sell that piece of property does not usually go to the person who is using the excess property without having any formal arrangement for doing so. It's the same as if you are parking your car on a corner lot and it's sold. The new owner may very well ask you to get your vehicle off of that piece of property and the person who has his car parked in there certainly would not be consulted when that land is sold.

In the same way, this lease was entered into between Dimar Training Systems on the basis that was not part of the lease and as late as October of 1985, Gimli Dragways and the Winnipeg Sports Car Club had indicated that they were satisfied with the amount of property they had for the lease.

**MR. F. JOHNSTON:** Madam Speaker, I would ask the Minister if he is aware that Gimli Dragways have been operating at the Gimli Industrial Park since 1977 and using that amount of land before, and has he read or taken the time to peruse the release presented by Gimli Dragways July 21, 1986?

**HON. J. PLOHMAN:** Madam Speaker, I certainly am aware of that particular document and have it available. I am pleased that the honourable member has also read that and he should read all of it, understand as much as possible what is contained therein. The fact is that they have leased the property for a number of years, but have not leased that particular property that is now under lease to Dimar Training Systems. That is very unfortunate because it turns out that they were using more than they were leasing.

**MR. F. JOHNSTON:** Madam Speaker, my question is the Minister of Tourism.

Destination Manitoba and the tourism programs of the Department of Tourism have over the years granted, I believe, an amount close to \$200,000 to help the construction of the Dragways and the advertising of a tourist attraction in Manitoba which brings in a tremendous amount of money to the Province of Manitoba through the tourist industry. I wonder, Madam Speaker, what the Minister of Tourism is going to do to see that the races are carried on in Manitoba and will the races be carried on on the long weekend in Gimli in conjunction with the Icelandic Festival.

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

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

First of all, I just want to bring to the member's attention that Destination Manitoba doesn't exist anymore. That agreement has ended and we are into a new tourism agreement with the Federal Government. It's like — (Interjection) — Public Works.

**MADAM SPEAKER:** Order please.

**HON. M. HEMPHILL:** I also want to indicate that we are as concerned on this side as the member is on the other side that the races continue, and we recognize that they have made a contribution and that they are a major tourist attraction.

The staffs from both of our departments have been meeting with both parties and were under the impression up until fairly recently that they were both satisfied with the agreement and with the amount of space and felt that space they had was adequate to run the races.

Since we have become aware that there is some dispute between the two parties, our departments have been working very actively to try and bring them together and get a conciliation and an agreement that will allow the races to proceed.

**MR. F. JOHNSTON:** I would ask the Minister of Tourism, Madam Speaker, if she feels any responsibility, or her department feels any responsibility, for the error in the signing of the lease when it was an officer from her department who recommended the signing of the lease with Dimar to the Department of Public Works and they in turn signed it? Does the Minister have any reason to think that she should be involved to solve this problem when it was her department that recommended the lease in the first place?

**HON. M. HEMPHILL:** I think I was trying to indicate to the Member for Sturgeon Creek that I am involved. I am concerned, we are concerned and we are all involved in trying to resolve this.

What I also said is that initially we were all under the impression, the staffs of our departments, that there was agreement between the two parties and that there was adequate space to carry on the drag races. So there was no reason initially to believe that there was a problem.

As soon as it came to our attention, both departments have taken an active role in trying to resolve it between the two parties. What we all want to happen is to get an agreement between the two parties that will allow the drag races to proceed.

**MR. F. JOHNSTON:** A final question to the Minister, Madam Speaker.

The fact that the drag races have been held in Gimli since 1977, and they have been using the industrial park for the races since then, and they can see the cars running and where they use the park, and how much of the park they use, why did not the Minister's department consult with the Dragways, who they have donated lots of money to, given money for advertising before recommending a lease, is your department blind?

**HON. M. HEMPHILL:** No, Madam Speaker.

### Crop year, extension of

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

**MR. G. FINDLAY:** Thank you, Madam Speaker. I direct my question to the acting Minister of Agriculture or the Premier.

In the last few days, I've had the opportunity to visit a number of fairs and talk with farmers in Western Manitoba. There is a great degree of concern about the end of the crop year approaching on July 31. There

is concern about soft rail beds, plugged elevators, grain that they must dry yet. The Provinces of Saskatchewan and Alberta have both requested the Canadian Wheat Board for an extension of the crop year. I have sent a letter to the Canadian Wheat Board and requesting extension of the crop year beyond the 31st of July, and I would ask if the Provincial Government of Manitoba is prepared to make a similar request, particularly for No. 3 Red Wheat on behalf of the Manitoba farmers.

**MADAM SPEAKER:** The Honourable First Minister.

**HON. H. PAWLEY:** Madam Speaker, I would welcome the Member for Virden pairing off with me so I could attend some of those rural fairs that are indeed an important part of the fabric of rural Manitoba.

Madam Speaker, the request from the Member for Virden, I think, is a reasonable one. I will check to see whether or not the Minister of Agriculture has made such a request. If not, I think it should be considered taking into consideration the situation that is caused in parts of rural Manitoba because of the July 31 date.

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

### ORDERS OF THE DAY

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

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

It's our intent to go directly into this debate on Interim Supply. We will be prepared to grant leave to continue right through Private Members' Hour, if that is required to complete Interim Supply today. We are hopeful that we can complete Interim Supply on this day. The Minister of Finance will be moving the motions to put us into the debate.

### HOUSE BUSINESS

**HON. J. COWAN:** Previous to that, however, I'd like to indicate that there will be no committee hearings tomorrow due to the Economic Development Committee having finished its review of Manfor. On Tuesday and Thursday next, the committee will be reviewing MPIC.

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

**HON. E. KOSTYRA:** Thank you Madam Speaker.

I move, seconded by the Minister of Health, that Madam Speaker do now leave the Chair and the House resolve itself into a Committee of the Whole to consider the report of Bill No. 7, An Act for Granting to Her Majesty Certain Sums of Money for the Fiscal Year Ending March 31, 1987, and to Authorize Commitments to Expend Additional Money in Subsequent Years and to Authorize the Borrowing of Funds to Provide for Cash Requirements of the Government, (The Interim Appropriation Act, 1986), for Third Reading.

**MOTION presented and carried** and the House resolved itself into a Committee of the Whole to consider and report on Bill No. 7, (The Interim Appropriation Act, 1986) with the Honourable Member for Burrows in the Chair.

**COMMITTEE OF THE WHOLE**

**BILL NO. 7 - THE INTERIM  
APPROPRIATION ACT, 1986**

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

We are about to consider Bill No. 7, The Interim Appropriation Act, 1986.

The Honourable Minister of Finance.

**HON. E. KOSTYRA:** Thank you, Mr. Chairman.

I have provided information to the Opposition Finance Critic, the Honourable Member for Morris, with respect to the clause-by-clause explanation of the bill, so I will not bother taking Committee of the Whole through that at this time unless there are any questions.

On July 4 during the previous debate on Interim Supply, the Member for Pembina asked for an analysis of the increase in direct debt as shown in the Unaudited Financial Report for the year ended March 31, 1986. The Statement of Direct and Guaranteed Debt indicates a net increase of \$810 million. I have prepared an analysis of this amount and I would like to table it for the member's information.

Also, on July 4 during the debate on Interim Supply, the Member for Morris asked for greater detail with respect to the increase of some \$24.3 million with respect to the budgetary requirements of the Department of Finance. This increase was shown in a Preliminary Unaudited Statement for the year ended March 31, 1986, and it's accounted for as follows: public debt foreign exchange increased costs, \$22.1 million; interest costs, \$11.2, for a total of \$33.3; less increased earnings on sinking fund in advance to government agencies of \$18.7; lower debt discount expense of \$5.1 which meant a net cost of \$9.5; also energy rate stabilization authority foreign exchange increase costs of 16.9; recoveries due to new foreign exchange only was 2.2; which netted out at 14.7; which came out to the figure that is in the Preliminary Unaudited Statement for the year ended March 31, 1986.

**MR. CHAIRMAN:** The Leader of the Opposition.

**MR. G. FILMON:** Thank you, Mr. Chairman.

I wanted to speak on this particular bill, Interim Supply, in a general vein, not with respect to a particular item of expenditure but to the broad general question that we ought to be addressing today in the wake of the loss, the reduction, in our credit rating.

We today, of course, received the bad news; bad news, which I might say, was available to the government sometime yesterday. I note with some disdain that they waited until 4:35 p.m. yesterday afternoon to hand out the news releases until, in their view, the television cameras had left the building and they could avoid as much publicity just as - and I see the Minister of Industry, Trade and Technology smiling because he knows full well how this works - he issued the Second Quarterly Financial Statement right at the end of the day as he was leaving for the Brandon Winter Fair.

Mr. Chairman, the Minister thinks that he's perfect and he can't be criticized on these things, but this is

not coincidence. This is another example of the kind of manipulation that we have of the media, or the attempted manipulation. I say "attempted," because the media are on to this now and they know that the government issues bad news whenever it's possible to avoid as much publicity on it.

Mr. Chairman, we'll carry on in the discussion of the loss of credit rating. We'll carry on with respect to the consequences that this drop in credit rating has for the people of Manitoba and for the Province of Manitoba because this is not an isolated incident. This is the third time that we've had a credit rating reduction under the NDP in less than four years.

This is an objective view, taken by outside observers of the strength of our economy here in Manitoba. This is a credit rating agency that deals with governments throughout the world, that deals with private corporations throughout North America, that evaluates just how well they are being operated, just how effectively they are being administered, and just how competently they are being operated in a financial sense. They have once again said that this NDP Government is incompetent to manage the financial affairs of the Province of Manitoba. They have said once again that this NDP Government doesn't know how to operate prudently the affairs of this province on behalf of the people of Manitoba.

Mr. Chairman, this isn't a partisan political commentary by a Conservative Opposition. This isn't a partisan political commentary by the Conservative Party of Manitoba or its leader. This is an objective outside evaluation of the capability of this NDP administration at running the affairs of this province. They have said that these people are hopelessly incompetent and for the third time, since the NDP took government, in fact the third time in less than four years, they've now again reduced their credit rating.

They've said to the people, who are the investors throughout the world, who will buy bonds on the financial markets of the world, that this government is not capable of handling the financial affairs of this province.

Mr. Chairman, now, of course, we're being lumped in with the have-not provinces in terms of our credit rating today. We're being lumped in with the Maritime Provinces, with the provinces who have most difficulty in an economic sense in this country; we are now being put in the same category by the bond-rating agency, Standard and Poor's.

Mr. Chairman, that is the tragedy because this Minister of Finance and his predecessor and the Premier are all saying that they are somehow doing a good service to the people of Manitoba by choosing the priorities that they have chosen; that they're not going to be stampeded; that they're not going to be forced into doing anything they don't want to do; and they're not going to be constrained by the financial rating agencies of North America.

They're giving the impression that somehow they are helping Manitobans by following along their incompetent route of choosing priorities and choosing the financial future of this Province of Manitoba. They are somehow saying that they are doing better for the people of Manitoba by doing it their way as opposed to doing it in a way that would conform to normal good business practice, to normal sound administration,

to normal fiscally responsible manners of dealing with the finances of a government.

As a prudent administration, as people who are wisely husbanding the resources, the scarce resources that they talk about from time to time and acknowledge that we have under our control as a government, they are now being told by an objective rating agency from outside this province, indeed from outside this country, that they're doing a lousy job, that they're incompetent, and that the people of the financial sectors of the world ought to be concerned with the ability of this government to manage the affairs of the Province of Manitoba, that's what they're being told.

They're being told so by an objective group. They can't say that that's a partisan, political comment as being made by me or members on this side of the House or anybody else in a political role in this province or this country, that is a factual statement from the bond-rating agency who is telling the people who want to invest in bonds throughout the world that these people are not good managers.

Mr. Chairman, when they give the impression that somehow they are doing more for the people by choosing their spending priorities, that they are doing a better service for the people, that, Mr. Chairman, is the biggest disservice that they could possibly do to the people of this province. Because, in fact, the consequences of the reduction in credit rating are, that more money will have to be spent going to satisfy the needs of the bondholders throughout the world. The financiers in Zurich, the bankers in London, in New York, all of those people will get their additional pound of flesh from the taxpayers of Manitoba. All of them will get more money, and those people who really need it in this province of ours, who need additional health care, who need better education, who need all those things will be getting less because more of our tax dollars have to go to the financiers of the world.

These are the people who tell you that they abhor the financial people, the bankers; these are the people who tell you that those people are not going to tell them what to do, but indeed, by this credit rating drop those people throughout the financial world are telling Manitobans and are ordering Manitobans' affairs; that's precisely the point.

So, Mr. Chairman, I want to — (Interjection) — ensure

. . . .

**MR. CHAIRMAN:** Order please.

The Leader of the Opposition has the floor.

**MR. G. FILMON:** Mr. Chairman, I am having difficulty in speaking because of the heckling of the Member for Thompson. The Member for Thompson has made the transition from rookie backbencher to veteran backbencher without having any noticeable effect on his capability for his presence here in the Legislature. — (Interjection) —

**MR. G. FILMON:** That's a clever one Stevie boy. I wish that I had said that. — (Interjection) —

**MR. CHAIRMAN:** The noise coming from both sides. The Leader of the Opposition.

**MR. G. FILMON:** Mr. Chairman, we've been lumped in with the have-not provinces by virtue of this credit

rating drop again. We've now been told by the people of the financial markets that we are in difficulty under this kind of administration from this NDP Government. We've been told that our credit rating has been dropped because this administration could not answer, could not give any plans for the future as to how they're going to change the financial affairs and direction of this province.

I quote from an article today, Mr. Chairman, as to what was being said by the people in the financial markets. Here we're talking about a vice-president of Standard and Poor's and he said, and I quote: "The agency was not satisfied with the province's explanations of how it intends to reduce its debt."

It's not only that they've been so incompetent, and they've done such a terrible job over the past four years, but they can't convince the people who wish to invest in this province, in bonds in this province, that they know where we're going to go in the future, that they have any plans that are going to put us on a better track in future, that are going to put us in a better circumstance in future. All they know is that these people have no plans, have no ideas and that we're doomed to continuing financial mismanagement under this NDP administration. That's the consequence and that's the conclusion of Standard and Poor's, the rating agencies who are looking at Manitoba's credit rating, Mr. Chairman.

I find it so irresponsible of the Minister of Finance to tell us that they're not going to be influenced by the credit rating agencies, that they're going to do their own thing. Because in fact, their own thing is leading us down the wrong path, is leading us down to the path of spending more and more money on interest and less money available for education, for health care, for community services, for all the things that the people of Manitoba expect of them, highways maintenance, all of those things that people need from a good government, they're not going to get because the rating agencies have once more downgraded Manitoba's financial position in the eyes of the investors of the world.

Mr. Chairman, that's the tragedy - the tragedy that they keep mouthing the same words, that we have our own priorities, that we'll stand up for Manitobans first and in fact they're undermining Manitobans. That's the real tragedy of this whole affair of the credit rating reduction, that they don't understand why it's been done and that they have no plans by which they can convince the rating agencies that we are going to get better in the future.

The other conclusion, of course, that the rating agencies have come to, Mr. Chairman, is that although the Premier and the Minister of Finance say that there have been substantial investment in Manitoba and that investment is increasing, the major responsibility for those increases in investment lies with the taxpayer. This administration chooses to invest money year by year in record amounts in the economy to try and stimulate the economy, to try and employ people, to try and make their short-term figures look credible.

They've been successful in doing it. There's no question that the rating agency acknowledges a low level of unemployment. But good heavens, Mr. Chairman, if you were going to prepare to spend almost \$2 billion in the general economy in job creation

activities each year and another \$2 billion spread over five years on the special one-time project, the hydro-electric project of Limestone, surely, Mr. Chairman, you could create jobs by investing that kind of money in the economy, that isn't the point.

The point is that all of this activity, that all of this job creation, that all of this unemployment level is founded on debt, debt that we ultimately have to repay, debt that is costing us more and more and more each year because our credit rating goes down. The interest that we have to pay goes up and that involves millions of dollars every year in additional cost, millions of dollars that are being robbed from the poor and needy people of this province of ours, who expect to have proper health care, who expect to have proper education, who want to have better social services, they're not going to be getting it because this NDP administration has chosen the wrong priorities.

The other tragedy that I see in this, Mr. Chairman, is that the new Minister of Finance has to sit there and take the flak over it when indeed his predecessor, the Minister of Industry, Trade and Technology and the Premier are the ones who ultimately should be held responsible. It is their incompetence, it's their lack of understanding that has put us where we are today.

It is not just what has been done by this new Minister of Finance in the last three-and-a-half or four months that has resulted in this, it is all the incompetence of four years of the Member for Rossmere, the Minister of Finance, that has put us in the hole that we find ourselves today with another drop in our credit rating, Mr. Chairman.

Mr. Chairman, the other point of course that the Minister of Finance and his predecessor and the Premier will say is that all we ever do is ask them to spend more money, that we never give them the other side of the coin and we never tell them what monies we wouldn't spend. Well, Mr. Chairman, just so that there is not a foolish statement being made again by people on that side, I'm going to list for him suggestions that we have made during the course of this Session alone as to areas that they can save money that they needn't put their expenditures into. Because, Mr. Chairman, when you take a look at it, we have made many suggestions over the past while.

ManOil, a company getting involved in high-risk oil exploration at a time when we got all sorts of private companies drilling in the southwestern part of our province, at a time when we don't need to have one whit to do with exploration and development because there's lots of it being done. In fact, every barrel of oil that we would produce out of our investment would cost us money because, right now, the price of oil is such that it would cost us money to produce that oil. In any case, we have said to them we don't need to be in ManOil, up to \$10 million that could be saved probably this year alone in their investment in ManOil. We don't think that it's appropriate; we don't think it's necessary; and we don't think they need to do it.

We said the same thing with respect to them taking a bigger and bigger position in potash. I find it absolutely fascinating, Mr. Chairman, that Canamax, our private-sector partner, won't put any more money into that potash development this year. They said, enough's enough. There's no world market for potash; the prices keep dropping. Everybody who's producing potash

worldwide is losing money. Let's put the brakes on. So what happens? This government, at a time when all these things are going in the wrong directions, says, we're going to put more money into the potash exploration this year. Canamax, the private-sector partner won't risk any more money at the present time, so they're going to put it in. There's another area of very questionable investment that we suggest, Mr. Chairman, isn't an appropriate use of that funding right today.

But there are more, Mr. Chairman. There are so many more that we could talk about. I mentioned yesterday Manfor, and the Minister of Finance jumped on that and said, aha you want to wipe out 600 jobs. Did he wipe out the jobs when he privatized Flyer Industries? No, he didn't. He privatized Flyer Industries to preserve the jobs. That's what we're talking about. We're talking about bringing private investment and ownership and management into Manfor so that we'll preserve the jobs. Those jobs will disappear if this government continues to operate Manfor at the massive losses, another \$12 million this year.

Mr. Chairman, we're not advocating these things to reduce jobs. We're advocating these things to preserve jobs because, as long as these incompetent people put the money into Manfor and continue to operate it as their plaything, they are going to lose money and lose jobs because eventually nobody will tolerate the kinds of losses that they are encountering in there.

Mr. Chairman, we talked about getting out of MTX, the corporation that this year, I believe, is putting another \$8.5 million into a corporation to do business in Saudi Arabia and, leaving aside all the morality and all of the side issues, it's losing money. It lost money last year. It's projected to lose money this year, and yet we continue to invest in it.

Another place where they could be saving money, Mr. Chairman, but no, they want to ignore that. They want to say that the members opposite only want to spend more money. Well, we're giving you lots of examples of places that you don't have to spend money. You don't have to invest taxpayers' money, and you can reduce the borrowings and the debt load that has caused us to have this interest rate reduction, Mr. Chairman.

Do you want some more? Well, Mr. Chairman, I find it very interesting that the Minister of Finance spoke about preserving the priorities that they have set for themselves. He said this in the news release. He said: "Our province will continue to pursue the social and economic policies that are in the best interests of the people of Manitoba." Mr. Chairman, we're not talking about the social and economic policies. We're talking about priority choices, such as contracts for friends, 55,000 for Andy Anstett. How much for Doug Davison every year - \$50,000, \$100,000 a year? Friends of theirs who are always on contract, who are always getting money, who are always on the take from this government at the expense of the taxpayer of Manitoba. There's plenty of money for that. They always find plenty of money for that.

Those are the kinds of areas I'm sure that Standard and Poor's is concerned about. Those are the kinds of priorities that nobody in his right mind would choose, but that they have chosen, Mr. Chairman. They are now spending, Mr. Chairman, over \$4 million a year on those

130-odd apple polishers that the former President of MGEA, now the Minister of Urban Affairs, identified just a year-and-a-half ago, those apple-polishers who cost the taxpayer a bundle of money. Those are the kinds of priorities that cost us millions of dollars a year that never need to be spent, that are only there to try and prop up the image of this incompetent administration. Those are the things, I am sure, that worry Standard and Poor's, not the investment in health care, not the investment in education. Those are the kinds of things.

I am sure Standard and Poor's knows about the increase of almost 70 percent in the senior Civil Service under this administration. They know about it because that costs us millions of dollars a year to have all the additional Assistant Deputy Ministers, all the additional Deputy Ministers, executive directors and all of those people. Every time they have more people in Cabinet - and they do now. They have now the Member for Rupertsland, the Minister without Portfolio. He has an executive assistant or a special assistant support staff. He has people that he needs. We have the Speaker having an executive assistant where none ever existed before, but that's a priority. That's what concerns Standard and Poor's, Mr. Chairman.

These are the kinds of things that people who evaluate this government know are absolutely rotten, wrong-headed priorities, wastes the money on the things that are nobody's priorities. You'll see what happens to your credit rating as your debt goes up and you spend more and more and more money on interest costs. Those are the things that are being referred to by Standard and Poor's when they evaluate this administration, Mr. Chairman.

Mr. Chairman, I just wanted to make one final brief comment with respect to this area and that has to do with the comments that were made earlier when we were put on credit watch. On July 9, we had quite an extensive exchange in this Legislature, in question period and then beyond, with respect to this reduction or the potential reduction in credit rating. At that time we were just put on a credit watch. We asked the Minister of Finance what he was prepared to do to try and avert this potential reduction in credit rating that we said would be disastrous to the people of Manitoba, very damaging, very expensive. You know what he said, and I'll quote from Hansard of that day. He said that he was going to contact Standard and Poor's: ". . . to meet with them in the very near future and to provide them with the positive information with respect to the overall economic performance in the Province of Manitoba"; further information with respect to the financial affairs for the Province of Manitoba.

Well, he went there, provided them with what he thought was the positive information, and our credit rating was immediately dropped down, immediately reduced. Mr. Chairman, I'm glad he didn't go and provide them with some of the negative information, because indeed there is much more information there that probably wasn't provided that would have Standard and Poor's reduce our credit rating even more because they probably aren't even aware of some of the incompetence that we have uncovered this Session alone over the past few months, this Session alone the incompetence that we've uncovered from these people opposite. That's why we are where we are. Thank

heavens, Mr. Chairman, that the Minister of Finance didn't go and give them any of the negative information, because who knows where we'd be in terms of our credit status in the world markets for finance?

So, Mr. Chairman, I just want to put on the record in the strongest possible terms my concern, not only the fact that we had our credit rating reduced for the third time in the last four years under these NDP, not only the fact that these people, Mr. Chairman, keep saying that they are pursuing the right priorities.

But Mr. Chairman, I want to put on the record that Standard and Poor's, first and foremost, dropped our credit rating because, not only have we been an absolute and total financial failure over the past four years, but we don't know where we're going in the future and we have no plans to make it right again.

**MR. CHAIRMAN:** The Honourable Minister of Trade and Technology.

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

I take it that's from their time, Mr. Chairman. I think maybe we can now get out of . . .

**MR. CHAIRMAN:** Let's get some order here.

**HON. V. SCHROEDER:** . . . fantasyland and into the land of reality and take a look at the statement that Standard and Poor's made.

Did Standard and Poor's talk about MTX? No. Did they talk about the Minister of Northern Affairs? No. Did they talk about any of those things the Leader of the Opposition just raised? No. They did talk about federal transfers. Did the Leader of the Opposition talk about federal transfers? No. His happens to be a fantasyland and I think it's about time he got into the land of reality.

All of those expenditure reductions which he has referred to, and I want to say before he leaves that I am very pleased on behalf of this government to hear finally, specifically, the Conservative position on potash in Manitoba. That position is going to be taken by us into Western Manitoba, you can be sure of that, over this summertime. It is a distorted position. It is a position that incredibly falsifies what is happening in Western Manitoba.

As that man was speaking, Canamax is in contact with eight different subcontractors whom it is asking to do more work in the Province of Manitoba at the same time that man was telling you that Canamax isn't working any more; they've given up. They've said no more in Manitoba, no more because of the world market. At the same time as he was saying that, Canamax is out there finishing up the contracts to get eight subcontractors working in Manitoba — (Interjection) — not with our money. We either have the money or we have the interest.

Rip Van Winkle cannot have it both ways. The public works man cannot have it both ways. You cannot say it's our money and we have half the interest in that property. We either have half the interest in the property and they have the money, or we have the money and they have the full interest in the property. Either way, you can't have it both ways and say that we have half the property and we still have the \$5 million we spent

in purchasing half of the property. It doesn't make any sense whatsoever.

They and we are quite enthusiastic about those projects up there and I would think that the Conservative member for that region, for Roblin-Russell, would be explaining a few things to his leader so that these things don't stay on the record.

He refers to MTX. It has been explained in this House. People like Standard and Poor's understand that there are net benefits to the province even when you have losses on the books.

ManOil - here we have a view of the future that only a Manitoba post-Roblin Tory could possibly have. Hide your head in the sand and pretend that the world is just going to somehow fumble along; everything is going to be wonderful.

They are saying, the Opposition is saying, that we shouldn't be exploring for oil when we have more than an 80 percent recovery rate in terms of getting oil. At the same time their federal brothers and sisters are looking to assist the Province of Newfoundland with oil that will cost \$35 or \$40 a barrel minimum in today's costs, forgetting about the costs when they will actually be pulling them out of the ground, a billion dollars to do that, because their federal brothers and sisters happen to have a little bit of faith in the future.

They are saying we shouldn't do it based on \$15 a barrel and less. That's the kind of future Manitoba Tories under Filmon believe in. I think it's about time you had a leadership review, which I know a lot of you are talking about in the back rooms. Maybe that's one of the reasons why we've heard the high pitch in your leader's voice this afternoon. He knows that the wolves are baying.

The Member for Sturgeon Creek was around, fortunately not in an active role, in the 1960's when we had a Conservative Government which had a little bit of vision, did a number of things for this province under Roblin, pulled back under Weir, and that was the end of them. They had a single A. They dug the ditch around Winnipeg for which we are grateful. — (Interjection) — with a single A, a single A.

The Leader of the Opposition refers to our debt. I would refer him to this year's Budget Address, page A-14, Manitoba's debt, as a portion of the ten-province debt in Canada, 1978 to 1984, and he will see that in 1984, Manitoba's debt is a smaller proportion of the all-province debt than it was in 1978. Indeed it was a smaller portion than in 1983 or '82 or in '81, a much smaller portion of the ten-province average.

That only stands to reason when we know, those of us who are at all interested in accurate history, that when this government took office we had a projected deficit of approximately \$275 million. It's gone up to \$529 million last year. That is compared to, say, Saskatchewan, when the Conservatives came into office they had a zero deficit, practically no debt; they have boosted it up to about \$600 million of deficit.

Alberta is up to \$2.5 billion for this year of deficit as compared to our under 500 million, and they make it sound as though we're somehow an exception, that somehow something that we're doing is absolutely out of line and crazy.

Talk about job creation based on debt, and he says anybody who spends this kind of money is going to have this strong economy. Well, he should talk to Don

Getty. Don Getty is spending far more money per capita in Alberta and is having much less success at job creation than we have had over the last while. So it is simply not correct to say that we are fueling our strong economic recovery on the basis of large provincial expenditures.

In fact, on a per capita basis, our expenditures are somewhere in the range of seven; that is, approximately seven provinces spend more money per capita than the Province of Manitoba does. That surely deflates the argument of your leader when he suggests that the reason we are No. 1 in terms of overall private sector investment over the last four years, the reason we are among the strongest in terms of employment creation, the reason we have done so well in terms of population growth is that we have spent more money than other provinces. That is nonsense. It is simply not a fact that is true. All he has to do is look at the record.

Mr. Chairman, one other little point I would like to make. We've heard the Member for St. Norbert tell the House that he would like us to file quarterly reports and he wants specific dates on them. I don't know what will come of that, but what I do hope will come of any quarterly report in the future is that at least the Opposition will bother to read it and to understand it, because the gobbledegook they have been giving us in the last little while — (Interjection) — well, have you read that report?

Now the Member for Roblin-Russell is very quick at the draw. He has been listening to people like Mr. Duguay from St. Boniface who kept telling us last year that we were getting more in transfer payments. We were getting more in equalization and EPF and so on and - my goodness! - everything is wonderful.

Look at the Fourth Quarterly Report which shows that, if you total all of the payments from the Federal Government for health and education and for equalization, you will find that, in 1985-86, the province received \$3 million less than in 1984-85. During that year, we were constantly bombarded by the Federal Government telling us that they were paying a part of the 8 percent or 9 percent or 10 percent increase in health and education expenditures, and those expenditures were going up very dramatically.

Their \$1,500 per Manitoban, approximately \$1,600 per Manitoban, is what those expenditures are. When you put a complete cap on the half that the Federal Government used to pay and then lie about it, and then say that we're paying you more when you're not paying more — (Interjection) — I'm not referring to any member of this House. I'm referring to the Federal Tories, who have said, and Mr. Duguay said constantly last year that we were getting more money in 1985-86 than in 1984-85. That Fourth Quarterly Report, which you so desperately wanted, demonstrated clearly that we received, out of about \$870 million, \$3 million less than in the year before. Clearly, on the record, Mr. Duguay was wrong.

Now let us take a look at what is coming down the line in the future in those areas. I hear a lot of nonsense from these people opposite that it's only Manitoba complaining. I want them to know that the Conservative Province of Newfoundland has put out a Green Paper, which refers to the privatization of the Medicare system because of the federal cutbacks. I want them to know that most provinces in this country strongly support

the position Manitoba has taken. In most provinces, the Opposition supports the position that their governments take, because they can see the dangers to the future of both health and education coming down the pipe with the passage of Bill C-96.

In the year 1986-87, we are going to be receiving equalization which would be less than it was about five years ago, without the one-time payment of \$65 million, which will end the year after as a result of the new legislation. That's going to cause quite a ripple, and that is something Standard and Poor's can see. They can see those numbers and, when they were discussing the Manitoba economy which they said was strong and Manitoba Government's ability to pay, they specifically referred to federal transfer payments. They didn't refer to all the nonsense your leader was giving. They referred to the real issue, the real issue being that the Conservative Government, which of course has flip-flopped totally from where they were in Opposition, is cutting health, education and equalization payments in this country.

Jake Epp, in 1982 when I was in Ottawa, said it was unconscionable that the Federal Government would cut EPF payments to the provinces. What did he do once he became Minister of Health? He cut them further. He cut them by 2 percent under GNP after the Liberals, who he said were scoundrels for it, took the tax portion off of it. He said that was terrible. He's kept the tax portion off of it. He's come back, and cut it by 2 percent off GNP. And you people have been silent.

You people have said nothing while the Federal Government has stolen that money from our hospitals and our schools. You people are silent, as those transfers, expenditures - I haven't heard a single word from one member of the Conservative Opposition with respect to federal expenditures in the Province of Manitoba. I haven't heard a single word from members opposite with respect to supplementary spending in Manitoba, as an example, for Highways. There is not one province to the east of Ontario which doesn't receive now Highways funding from the Federal Government. I've heard a lot of complaints from members opposite with respect to Highways. They would like more money in Highways.

One constituency in the Province of Quebec, Manicouagan, which happens to be represented by the Prime Minister of this country, gets \$49 million for Highways, zero for Manitoba. We've got 14 ridings, zero from the Federal Government, zero - Manicouagan, 49; Manitoba, zero. That's the kind of ball game that you people are in, and you're not talking about it.

You're not talking about research centres which are being built and staffed in Eastern Canada, in the Maritimes, in Montreal. Here in Winnipeg, all they did was complete it, and then they turn around and say to the province, now you've got to run it. It's no longer a national centre. It's no longer a centre where we can bring people from other regions of the country and develop industry and manufacturing here. You people have been silent.

Now, my goodness, it seems to me that at some stage you have got to re-evaluate your leadership and look to standing up for Manitoba, to standing up for a province which needs assistance just like any other region of the country. We have done the improvements. Keep in mind folks that, when you people left office,

there were fewer people left in Manitoba than the day you walked into office. People voted with their feet under that terrible Lyon regime, and we've had the strongest rate of population growth since we've kept records since the Howard Pawley Government came into office.

We've had stronger private investment than the national average, while you had among the lowest in the country. All of those numbers - and we've done that despite a Federal Government which has as the — (Interjection) — you will recall, about two years ago, the Federal Finance Minister was in town and his Deputy Minister had a piece of paper, a memo to the Minister which was quoted in the Free Press which said that Manitoba was the province which was the worst hit by the equalization changes. That's on the record, not just under the Liberals. It's under the Conservatives as well.

To their credit and to Mr. Wilson's credit, he did negotiate a two-year change which comes to an end at the end of this year, which drops us down at the end of it to below where we were three or four years ago, but he did give us that two years. But then he went along and, with the complicity of Jake Epp and the Manitoba Tories - the Federal Tories were probably more to blame than you are but, with your silence, they're now taking another big chunk off EPF payments. You people have been silent, silent while our hospitals are going to suffer more, while our post-secondary education institutions are going to suffer more. You quote letters to the editor when you can look at your Fourth Quarterly Statement that shows conclusively that we received less money from the Federal Government for health and education, for EPF, for equalization in 1985-86 than in 1984-85, less last year than the year before. Yet, you people were trumpeting throughout that we were getting more. That was not true.

I believe you believed Mr. Duguay — (Interjection) — well if you're saying that our Fourth Quarterly Statement is wrong, stand up and say so. Demonstrate that with some integrity and proof. I tell you that statement is correct. It is an audited statement. It demonstrates that you are wrong. Don't listen to Mr. Duguay. Mr. Duguay is misleading you; he has been misleading you. Read the numbers; the evidence is there. It is conclusive. We received less money in 1985-86 than in 1984-85, notwithstanding all the protestations of Jake Epp and Mr. Duguay, notwithstanding all the statements that we were getting a better deal. That simply was not true. It is demonstrated in that Fourth Quarterly Report and, as we discuss this issue, I expect that at some stage you will get out of the fantasyland your Leader is attempting to put you in and into some reality.

All those numbers he mentioned to you were less than 1 percent of our expenditures. They would cause the loss of hundreds of jobs, the loss of future investment in the province. Of course, he doesn't understand what is happening in Western Manitoba. He's saying that the oil patch is healthy today. If he went into the oil patch today, he would find out that it is very unhealthy. The only money being spent there, basically, is money that had been budgeted from some time ago, and even that is being cut back because of the price of oil. That includes ManOil and it includes everybody else. To suggest that industry is in a healthy shape demonstrates that he has no contact with reality.

There's no contact with the real world there. Basically, that fantasy land is something you're going to have to get out of.

So this 1 percent saving - and I get back to that - you've spent it. You've spent this 1 percent saving time after time. How many times can you save \$30 million? You're going to cut the Health-and-Education Levy. That's \$120 million. You've already spent four times what you told us you're tough enough to save, four times, just in that one stroke. You've been telling us you need more money for Highways; you need more money for Agriculture; you need more money for Health. Every single department we come along with practically, you've been telling us to spend more money.

The only time you told us not to spend more that I can recall was in the Department of Finance - in the area of where? The area of the financing of Health and Education and of equalization. That's the area where you said, let's cut - how much? - \$50,000 - wow! - out of an expenditure of \$3.7 billion. That \$50,000 is an investment. We've been doing that kind of spending over the years. That's one of the reasons we got \$115 million in special payments on equalization over a two-year period in 1985-86 and 1986-87. We took on the feds, and we will take them on again when they are wrong. I believe they're wrong now. I believe you believe they are wrong, on reflection.

If you want to talk about Standard and Poor's, start talking about Standard and Poor's. Don't interpret into what they say. Read their documents; their documents are clear. One of the references they make is to payments by the Federal Government. Your leader didn't make any reference to that. At what time are we going to get some reference to reality in your statements. Of course, if we were to follow his 1 percent of expenditure reductions, which I will not do - I certainly would not recommend to the Minister of Finance that he would do that - that would mean less investment over time in the oil field. It would mean no investment whatsoever in the potash industry, no investment whatsoever. That would mean the next mine would be in Saskatchewan or in Jordan or in New Brunswick or wherever but not in Manitoba, because Tories don't believe in our future.

I think that is basically the shame of the tack that the Leader of the Opposition was taking. There is no vision, no belief in the future of Manitoba, no belief in the ability of our people to work together with our resources to develop a stronger, fairer society. That is why you people are going to be on that side of the fence for an awful long time to come. You've lost four of the last five elections quite legitimately, quite properly, and I would say it'll probably be five out of six if you continue the way you're going.

**MR. CHAIRMAN:** The Member for Pembina.

**MR. D. ORCHARD:** Thank you, Mr. Chairman.

It's interesting to listen to the former Minister of Finance and then, after you've listened for as much as you can tolerate, you realize why he was and is the former Minister of Finance. With his kind of guidance in this province for four years, we inherited a \$2 billion general debt which was - I think the latest figures, it more than doubled in his term of Finance Minister in four years after this province existed for 117 years.

The incredible thing about it is that he still laughs about his borrowing practices and his inability to run the Department of Finance and provide financial leadership in the Province of Manitoba.

Mr. Chairman, these Ministers now will stand up and constantly berate the Federal Government for some reduction in the rate of increase of EPF payments and transfer payments supporting health and education. The only person who's really told the truth on it that I've seen in print was the Minister of Health in a recent letter to the Manitoba Society of Seniors, wherein he said, quite legitimately, that the Federal Government was not cutting back transfer payments because that leaves the impression, as the Premier and the Minister of Finance and the past speaker just left the impression, that the Federal Government is actually reducing the number of dollars available, because that's what a cutback means to anybody with half a mind and a thought in their empty head, which the previous speaker, I don't think, has.

Mr. Chairman, the Federal Government funding to the Province of Manitoba is increasing. It's not being cut back; it's increasing. And it's increasing at a rate that is going to be, by all estimates, above the inflation rate. This government and many governments across Canada, I'll admit, are complaining to the Federal Government that this is not adequate, that this certainly is not what they would desire. I can understand that fully. I can understand that completely because, if the Provincial Government's got 7 percent, 8 percent, 9 percent increase in transfer payments, then they wouldn't have to take a look at their own financial situation, and they wouldn't have to make some decisions as to whether they want to continue to waste money.

Mr. Chairman, it's interesting. When the previous speaker was talking, I made a short list of what this government has achieved in the last 15 months in terms of wasteful spending of the taxpayer dollars. First off the top, it has to be the Selkirk bridge, where it started out at a little over \$10 million. Now it's close to \$20 million. It's a \$9 million waste of taxpayer money that's going into the Selkirk bridge. Do they mention that to the Federal Government, that we want our transfer payments increased to health and education so we can waste more money building bridges in Selkirk? No, they don't say that. They don't want to talk to the people of Manitoba about that.

This government is the same government that the former President of the MGEA accused of having some 135 apple polishers on staff. The cost of those people is \$5 million per year and, by the time you add in pension benefits and other benefits to the employees, it's higher than that, and office space and staffing and other operating costs. So we could be up to \$7 million on that line alone for apple polishers to try to improve this government's image.

We've got extra Ministers in now this new Cabinet. That's at least .5 million. We've got a settlement for a wrongful dismissal at the Brandon University of the president, wrongfully dismissed by an NDP-appointed and directed board, wrongfully dismissed, and the settlement will be at least .5 million.

We've got Manfor last year losing \$35 million in the Province of Manitoba, \$35 million. Now how much is this \$35 million loss in Manfor? What does it represent

in relationship to the decrease in the rate of increase from federal transfer payments? It's more than what they're projecting to not receive from the Federal Government in Manfor alone.

We go through MTS and MTX, \$9 million, \$8.5 million to be exact, invested in MTX to take on out-of-province adventurism, after having lost a minimum in MTX already of \$350,000 since they've started, without knowing what the true accounting costs are within the Telephone System. If those were known, that loss would be a multiple of at least 10 times if true accounting costs were available to us. They won't be available unless we get an independent auditor, the Provincial Auditor, to go in and audit the books of MTX and MTS. But that loss is definitely there, and they're pouring bad money after worse. They've got accounts receivable in Saudi Arabia that are very doubtful.

We've got Flyer, we've just settled the Flyer fiasco, total cost over its run in the Province of Manitoba, \$135 million. What was the cost in the last four years of NDP administration? Sixty million, I believe. That was their priority. That was where they chose to spend the money in their first four years. That's \$60 million that wasn't available to health and education. But did we hear them complain about Flyer losing that kind of money? No. They kept telling us it was going to turn around and it was going to get better, the same story that we've been getting from Manfor.

**HON. V. SCHROEDER:** I never said that.

**MR. D. ORCHARD:** Oh, Mr. Chairman, the Minister says that he didn't say that. They constantly projected for the first two-and-a-half to three years of their term that Flyer would improve, as they said with Manfor, and all the time they were saying that the losses in both those Crown corporations escalated and escalated.

Mr. Chairman, we've got a government that negotiated a salary settlement with the MGEA, the sweetheart deal with the now Member for Concordia when he was an independent representative of the Manitoba Government Employees. It was like twin brothers dealing with themselves.

I mean we had an NDPer as the president of the MGEA dealing with an NDP Government, fattening the pockets of the MGEA, a 27 percent increase over a 30-month contract. This Minister has inherited that with a no-cut contract and with a 27 percent wage increase base, that he is now building on every single percent that's added to wages this year, is added to that 27 percent sweetheart settlement negotiated between the NDP president of the MGEA and an NDP Government. He talks about the Federal Government treating them badly. They've treated themselves badly, Madam Speaker, and that's why we've got this horrendous financial situation in the Province of Manitoba.

To go on just slightly, we've got foreign exchange borrowings, and remember, that this government in four years added \$1.9 billion to the general debt of the province - 1.9 billion. The Minister of Finance will correct me if I'm wrong, but I would say at least 90 percent of that was borrowed in the offshore markets where my colleague, the Member for Morris, today indicated that the losses last year in foreign exchange were \$1 billion.

Now, Mr. Chairman, is that the kind of spending priorities and fiscal management that Standard and Poor's are looking for? No, obviously not, because they've reduced the credit rating of this province twice, and Moody's reduced it once, because they understand that this government has no control over their finances. They understand that this government is representing borrowings of increasing financial risk and that's why they're lowering the credit ratings to protect the borrowers.

This Minister will stand up, as the former Minister of Finance will stand up, every time we're on a credit watch and our credit rating goes down, and they will say in pious terms that we are not going to be beholden to the money lenders in New York. We are going to do what we think is best for the people of Manitoba. Therefore, we're going to go out and borrow whatever we can and we're not going to control our spending.

Mr. Chairman, that works for a few years and then the whole world collapses around your financial heads and that is the danger that the NDP in the last four years have put this province in. This Minister of Finance is exacerbating that problem because he's doing nothing to attempt to control the financial hemorrhage in the Province of Manitoba and that is why our credit rating reduced once more.

Now, Mr. Chairman, place yourself in the scenario where this government in the years 1990, 1991, 1992, 1993 are going out and they are going to borrow money. They're going to borrow money to cover an operating deficit which by then may well be up in the neighbourhood of \$600 million-\$700 million. And do you want to know why it'll be up into that kind of a range? Because your revenues will not be growing as fast as your expenditures.

You know which expenditure will be growing the fastest of all of your expenditures when you hit 1990, '91, '92, '93 and on? It'll be your interest charges. Take a look at your increase in expenditures in your budget this year and you will find by far the greatest percentage of increase and the largest dollar volume of increased spending this year is to cover interest costs on your past and previous borrowings.

Mr. Chairman, when you get into that kind of a scenario and you hit the five-year period, 1990-1994, and you've got to refinance in the neighbourhood of \$2 billion, and I say refinance, not borrow, to undertake the construction of a Hydro dam or expansion to the Telephone System or building hospitals or providing any kind of capital support in terms of highways or schools or office buildings - no capital expenditure - you're simply going out and refinancing your previous excessive spending and borrowings.

When you hit the end of the rope in that first five years of the 1990's, that is when the credit-rating agencies are going to say I'm afraid no more. At that point in time, Mr. Chairman, is when the people of Manitoba, least able to defend themselves economically, are going to be hurt the most.

The people with the money, the people who are so much hated by New Democratic and socialist governments, the people with the money won't be affected when those social services are cut back because this government can no longer borrow money.

It will be the very people who they claim to champion their cause. Those will be the disadvantaged people in

Manitoba who will be denied access to health care, to personal care homes, to education, to ordinary programs that they expect governments to provide for them because this government will have spent its ability in the decade of the Eighties and late Seventies. That's when this whole scenario will come crashing down around their ears, and they don't understand it.

I don't even think, after what I've been hearing from the Minister of Finance, the new Minister of Finance, that he understands the gravity of the problem that Standard and Poor's is trying to point out to him and his financial department. I don't think they understand.

But you better understand, because the people of Manitoba are the ones that are going to suffer when you come to the end of your borrowing rope, and it's gradually happening - three credit rate reductions within a 3.5 year span.

How many more are we going to see now that we are engaging in Hydro expansion? We're continuing to run a massive deficit. We're continuing to have to borrow to refinance the borrowings during those glorious three terms of New Democratic Government that the previous speaker just spoke about.

Bear in mind, and I've used these statistics before, and I don't have them with me today, but if you take a look at where the financial position of this province was as recently as 1969, you will find that we were running surplus budgets.

So that what the problem is in the Province of Manitoba is that we have successively elected New Democratic Party Governments and they have driven the deficit up and up and up. They have driven up the provincial debt; direct debt through government deficits, guaranteed debt through Hydro expansion and building in Hydro that was unnecessary in the Seventies.

That's where our debt is, and we are not charging Manitobans in hydro or in telephones sufficient rates for their electricity or for the use of their telephones to pay off that debt. So that when we come to the Nineties, we refinance that debt; we don't repay it from earnings of either of those corporations. Yet we brag about the lowest hydro rates and the lowest telephone rates. Well, of course, they're low when all you're doing is paying the operating costs of the corporations and not retiring the debt.

This year in Manitoba Telephone System alone, and the Minister responsible knows this because of this government's pre-election interference with the Telephone System's rate application before the Public Utilities Board, our debt equity ratio will increase from 82.5 percent to 84.5 percent, and it is projected to be at 86.5 percent unless there is a massive rate increase this year.

Now, Mr. Chairman, I think you can understand why our telephone rates are amongst the lowest in Canada. We're not paying for the plant that we're putting in place to provide the service. All we're doing is paying operating costs and you can't make a comparison to Bell Canada in Ontario with your telephone rates because Bell Canada's debt equity ratio is 50 percent, yours is 35 percent higher, you have 35 percent more unretired debt. And you know how Bell Canada retired their debt? By charging their customers a monthly rate that was higher. That's how they did it.

So all we've been doing is fooling the people of Manitoba, and the Manitoba Telephone System

recognizes the problem and have undertaken a conscientious program to reduce the debt equity ratio by 1 percent per year. They were doing that until this government and the Minister responsible interfered with their rate increase because it would not have been popular before an election to have a rate increase go before the Public Utility Board of 7 to 8 percent.

Now that kind of interference, that kind of mismanagement in the Finance Department, that kind of mismanagement in your spending priorities from the Selkirk bridge to the extra staff, to the extra Ministers, and on and on, is buying short-term comfort. You can get by with it for a few years, but you cannot do it forever. Because if you could, there would not be one farmer, not one business, not one homeowner that would ever lose their farm, their business or their home because they got into financial difficulty, because all they have to do is use the NDP method of getting out of financial trouble by borrowing more.

Now, you know, and I know, and the people of Manitoba know that no farmer can borrow his way out of trouble. Farmers are in trouble today because they have too much debt. Businesses cannot borrow their way out of trouble. Businesses today are in trouble because they have too high debt. Homes have been lost to individual Manitobans because they couldn't afford the debt incurred in the mortgage.

Yet these people, these New Democrats, persist in telling the people of Manitoba, no, we don't have to worry about a credit rating reduction; no, we don't have to worry about the size of deficit; no, we can keep on borrowing; no, we're not going to have the money lenders in New York dictate our financial policies.

Well, they're not telling the people the truth because the financial money markets will dictate this government's policy because the financial markets will say no to your borrowings. It may not be tomorrow; it may not be next year; it may take until the 1990's, but it will happen. It happened in Philadelphia. It will happen in this province with your current spending patterns and your mismanagement of the finances of this province.

When it happens, the people that will suffer the most are the most disadvantaged and the lowest-income Manitobans because their services will be reduced the most. Their services and support provided by the government will be cut back the most. The very people that you claim you're protecting are the ones that are going to suffer with your continued mismanagement of the provincial economy and of the financial affairs of this province.

Unless you understand it and come to your senses and tell the people of Manitoba the truth, we're headed for a disaster of incredible proportions. The unfortunate thing about it, Mr. Chairman, is that many of these people who are currently making these mismanaged financial decisions will not be around because the people of Manitoba will learn the lesson and they'll get rid of them, and it will be up to us in the Progressive Conservative Government to clean up the abhorrent and abysmal mess that we have been left with to deal with on behalf of the people of Manitoba. That's the sad part of it, but it's the truth, it's going to happen, it's simply a matter of time; and if this Minister of Finance doesn't get control of his department, get control of his colleagues' spending, it will happen sooner rather than later, Mr. Chairman.

**MR. CHAIRMAN:** The Member for Gladstone.

**MRS. C. OLESON:** Thank you, Mr. Chairman. I just wanted to raise for a few minutes matters that have come up in my constituency over these last few weeks. I think the problem seems to be, insofar as from talking to others, fairly widespread.

One of the problems I raised in the House the other day was the funding cheques for the Sprucedale Industries at Austin, which is a sheltered workshop for mentally handicapped people and others. This is an ongoing program; it's been going for several years.

They are required on the third working day of every month to submit their report for the last month's operation to the central office in Portage who, in turn, on the eighth working day of the month, send their report into the Department of Community Services.

They were calling me because they were getting behind in receiving their payments. They received their April cheque in June. Now it doesn't take very much thought to figure out how hard it would be to operate a place like this when you're a couple or three months behind in receiving your funds. Their cheques were held up.

I asked the question in the House and the Minister said that it was because - well, the gist of her answer was that because Estimates were late and because the Session was late this year.

Well, whose fault is it that the Session is late this year and the Estimates are late this year? It certainly isn't the fault of the people at Sprucedale Industries. I think that this is just a little bit ridiculous. This is an ongoing program; people have to be paid for their work. I've been at that place. They're hard working people, they're serving a need in the community, and it is through a longstanding - I don't know how longstanding - but an agreement that's been going on for some time that they regularly get their payments.

Now I notice that everyone else in connection with this, for instance, the civil servants, I'm sure, got paid in April, May, June and July on time. I know that we, as legislative members, certainly did. Why are we going to pick on these people? It wasn't their fault that things were late and that the government chose to instead of calling a Session, decided to hold an election. It isn't the fault of the people that need these cheques. So I don't find that that is a reasonable reason for this delay.

The Minister also tells me that there's a change in the program. Fine, that's great. But, in the meantime, could they not be receiving their funds, their regular funds, in the regular way with a retroactive payment later if it had to go to Cabinet and then there had to be some agreement? That's the way other increases are often dealt with. I don't see any reason to make a difficult job more difficult for these people by doing this sort of thing. Surely, it didn't mean that this legislation had to pass today so that some people in these workshops could get their money. Surely, we're not down to that; we're not down to the last dime in the coffers of the province.

The museum at Austin, the Western Agricultural Museum, suffered the same problem. They receive a regular grant every year. This year they were told that they would get it early because they were in quite

considerable financial difficulty. Instead of getting it early, they got half of it late. Now that isn't, to me, cooperation and help in a time of difficulty. This isn't a new grant, this has been ongoing for several years, and it's something that they expect to get. It isn't something new that we've just invented this spring to trouble the government with. So, all in all, I think that there needs to be some explanation of why these regular payments can't be done regularly.

I've had other calls from people in my constituency who have done work for the government, pre-arranged, you know, a contract of some kind. Months go by and they don't receive their payment. We don't work that way in most fields. You have to pay up and get it done immediately or you get interest charged.

People in business find it very difficult to operate this way, their margins are very close as it is, and I think that perhaps this government better take a closer look at how they operate the finances of the province in these everyday matters, let alone the matters that we're discussing here and have been discussed this afternoon of credit rating and so forth.

What I'm talking about is the everyday business of government. Can we not do it more efficiently so that people can get their payments on time and so that people don't have to wonder where their next dollar is coming from? It's an agreement that has already been put in place. They know that they're supposed to be getting it. In the meantime, they have to borrow money in order to finance, costing them and us, as taxpayers, of course, more money in the long run to operate the program. Programs could be done a lot more reasonably if there was efficiency in when the payments were paid to the program.

I just thought I would put that on the record and see if maybe the Finance Minister could give us some explanation as to why this sort of grinding slowness has happened, particularly this spring, and is it all because of the timing of the Estimates?

**HON. E. KOSTYRA:** Mr. Chairman, I don't have a specific response for the member in those two areas. I can just take the specific concerns as notice. I'm not aware, other than I know the situation somewhat with respect to the Manitoba Agricultural Museum in Austin because there was a shift in the funding source for that from the Department of Agriculture to the Department of Culture, Heritage and Recreation, and I would presume part of the delay, if not all of it, would be due to that transfer of responsibility. Other than that, I don't know the explanation in terms of the other.

In terms of general government, of payments to contractors, I believe there is no overall delay, that they are being processed within the average of 35 days. There's some departments which are not as good as others and we went through this in some detail during the review of the Department of Finance Estimates.

I will take the specific areas as notice and see if we can provide a more full explanation for the Member for Gladstone on the two areas that she raised.

**MR. CHAIRMAN:** The Member for Morris.

**MR. C. MANNES:** Thank you very much, Mr. Chairman.

Mr. Chairman, I rise with a smile on my face. It won't be there for long, but I must tell you that I felt good only for a few minutes listening to the former Minister of Finance. I haven't heard him speak that loudly since this Session, which tells me one thing, he misses that portfolio. Mr. Chairman, his love is in Finance, and that's so obvious.

Part of the reason, I'm sure, is the speech he gave today was the same one he's given for the last five years, Mr. Chairman. So I can see why, when you have something rehearsed and you can talk about, in his view, the days when migration net was flowing out, and now, in his mind, it's coming back, you can use those arguments, Mr. Chairman, and you've got control of them, you love to put them on the record.

So I must tell you I enjoyed the manner in which the former Minister of Finance delivered his presentation. However, Mr. Chairman, I must tell you, from that point on, I must confess, the same numbers of things that the former Minister has been putting on the record for years now still concern me.

Mr. Chairman, the former Minister talked about the deficit in Saskatchewan and Alberta as if by comparison we can use as logic as to where we stand fiscally within this province if we simply go out and compare ourselves to other provinces, then all is well. It's as if the Minister is saying, Mr. Chairman, that should calm every concern within your mind, that should calm the waters.

Mr. Chairman, is that what we've come to in this nation, where one province will continue to increase spending, increase deficits, and feel comfortable and safe in doing so as long as other provinces have done that? Mr. Chairman, I can't accept that type of argument. Hopefully, some day that Minister and maybe this present Minister of Finance will tell us how it is and why it is that in their minds as long as we, as the Province of Manitoba, fall somewhere in the mid-section of the ranks of all the other provinces in various standings that we then are in a state of relative health, fiscally speaking. Mr. Chairman, I can't accept that. To me, the issue is too serious.

At times though, I must confess, Mr. Chairman, I wonder if members opposite, if members of the media, really understand the seriousness of the situation. Or, Mr. Chairman, am I lacking some understanding? I ask myself that question. Is there something that I don't understand about government funding that allows me to come to a wrong conclusion? Because there's something terribly disturbing in the present plight, in the present fiscal standing of the province, Mr. Chairman.

The former Minister of Finance talks about transfer payments, and today you were in the House when you saw the questions being directed towards the Premier and to the Minister of Finance, and three-quarters of the way through those questions you had some reference to transfer payments, and then you had a backbencher there ask the question as to what Standard and Poor's had to say with respect to the area of, in his words, reduced federal support.

Mr. Chairman, every time we try to bring forward any consideration, any discussion on this issue, members opposite deflect the issue into transfer payments. Well, Mr. Chairman, I have to tell you, I am concerned also about not only transfer payments but the state of the health of the Federal Government.

Mr. Chairman, isn't that what is, in essence, happening here? Do the members opposite care or do they realize that we're the same taxpayer? Do they realize that if, federally, 25 percent, 28 percent of all the tax revenue collected is channelled into servicing national debt, that it impacts upon each and every one of us? It hurts the services that we so desperately cherish? Don't the members realize that it's the same taxpayer that funds both federal and provincial concerns and responsibilities?

I don't think they understand that, Mr. Chairman; and if they don't and if they have a different understanding, I wish they would share it with me because I want to understand better their logic, if it's there, because that's where we disagree. This is where we disagree.

I have the Federal Minister of Health, he's written two letters to the Free Press over the last week, one of them dealing with the total area of transfers, one specifically dealing with educational matters, Mr. Chairman, and the Minister of Education says that they were both misleading articles.

Mr. Chairman, I know that we disagree on these tax transfer points. I understand; that's where basically we disagree. And yet, Mr. Chairman, when the Federal Government is saying to the Provincial Government, acknowledge the fact that when we've turned over these transfer points to you that that has reduced our ability to tax and therefore it's to your benefit; no differently, Mr. Chairman, than if you look at the tax form that you and I fill out today, you will see under the marginal rates, 2.2 percent out of our 54 percent, 2.2 of it to go to the municipalities, no different; the Provincial Government asking the filer of income tax to recognize that out of that 54 percent, 2.2 of it goes back to the municipal and the junior level of government.

So, Mr. Chairman, I don't expect that we'll ever agree, the Federal Government and this government, as to the level of federal support. That's why, over the ensuing days and weeks, Mr. Chairman, you're not going to hear me say an awful lot more about that issue. I'm not confused, but I can tell you, you can argue any side of the argument that you wish.

Mr. Chairman, I want to put that on the record, but I also want to take issue with the former Minister of Finance when he says that we're not critical of our Federal Government, that we sit here and apologize on their behalf. Nothing is further from the truth, Mr. Chairman.

I can tell you, if the Ministers opposite can show to me where the Federal Government is pumping in millions of dollars in road building and bridge building, I will be critical and I'll say so for the record right today, and I'll be as critical of that as they are because you're right; when I look at the transfer side and I see a Federal Government trying to deal with a deficit, an accumulated debt around \$250 billion, and yet I see on one hand that they're prepared within the area of Education and Health to reduce the level of increases to a point where it reflects inflation, that within that area of spending that the reductions will be the least, then I have to say well at least their priority is correct.

All other areas, Mr. Chairman, all areas of federal expenditures are being reduced more significantly and the members opposite are aware of that. But yet if they can point out where the Federal Government is taking millions and directing it in an unfair fashion to

other provinces in support of infrastructure like roads, in a manner that they're not doing within this province, Mr. Chairman, I will share in that criticism, and I'll be with them. So when they provide that specific documentation let the records show, Mr. Chairman, that I, too, will be critical.

But we're talking here about a much broader issue. The Minister talks about equalization, Mr. Chairman. We know why our equalization payments have dropped somewhat this past year. There are many other provinces in this nation that obviously, by way of the formula, are suffering worse than we are. So, Mr. Chairman, they're in greater need. Isn't it obvious, if they're in greater need, and if we're sharing in some sense through that formula, that we will receive less. Yet, the former Minister of Finance, who I think, who I believe understands that, refuses, Mr. Chairman, to acknowledge that fact. I think it's very important, however, that he do so.

Mr. Chairman, a lot has been said about the debt of this province. I tell you I take no satisfaction, I take no solace from the fact that maybe we're only half as bad, not half as bad, but that we're only the fifth worst amongst ten provinces. By my records, we're the ninth worst, Mr. Chairman. But the point is, I think it's incumbent upon me, Mr. Chairman, to lay on the record how our debt has accumulated over the last 15 years. I hope the Minister of Finance will listen to this.

Mr. Chairman, the former Minister of Finance stood here and told us what the Roblin government did for Manitoba. I can tell you nobody takes greater pride in those achievements than members on this side. Those of us that come from the rural areas are well aware, Mr. Chairman, are well aware of the major changes in infrastructure in this province that occurred during that period of government. Today, Mr. Chairman, we have the vestiges of a road system that was once the envy of all rural Canada. It was horrible before 1959, Mr. Chairman, '58-59, but a government made a commitment to those of us from rural areas to improve and to give us some opportunity to drive from community to community, indeed to a larger centre within this province. Mr. Chairman, that Roblin government also consolidated schools and, for once, and I dare say for the only time in history of this province, allowed quality of education in the rural areas to come somewhat parallel, somewhat to a position of being similar to that which exists within the City of Winnipeg.

I could go on and on, Mr. Chairman. Yes, there was some borrowed money involved. But how much, Mr. Chairman, 1968, 1969 that government, the Roblin years left under the leadership of Mr. Weir, former Premier Weir left, and it left this province with a debt of \$988 million, Mr. Chairman, that was in 1969. That's net, Mr. Chairman, net of sinking funds. What happened through the Schreyer years. Well the members opposite will say it was a western world phenomenon; that's when the economists took hold; that's when the Keynesians came forward and they said: "Borrow today because you can employ people, you can employ people today." Of course, what the Keynesians or the neo-Keynesians wouldn't subscribe to was that part of Keynes's theory that said: "But when times change around save some money, try and reduce that debt." Mr. Chairman, for the record, the debt in 1970 moved marginally up to 1.06 billion.

In 1971, Mr. Chairman, all of a sudden it doubled, it went to 2.28. Who was the government in that year, Mr. Chairman? Well, we're well aware of that. But, Mr. Chairman, some of that was very short-term funding because the net debt the year after that dropped; it dropped in 1972 back to 1.32, Mr. Chairman, it was short funding. The economy was producing well and we know well that in the first five years of the Schreyer term the economy was booming, Mr. Chairman, and most of it on its own. Then when this government became involved in the Hydro projects up north, that just fired it up and fueled it up even more so.

So the debt decreased - 1973 marginal increase up to 1.54 billion, Mr. Chairman, 1974 net debt again 1.8. I know we were borrowing for the purposes of Hydro, Mr. Chairman, I'm well aware of it. 1975 it went to 2.15; 1976 here, Mr. Chairman, .5 billion increase in one year from 1975 to 1976, and that total at year-end was 2.65 - .5 billion increase between 1975 and 1976. Mr. Chairman, we used that to political expediency. I know, I wasn't in the House then but I know my former colleagues told the government of that time, be careful, be sure you know what you're doing. But the members opposite said it's going into long-run investment; it's going into Hydro, and how can you ever be critical the directions of funds to that source.

Mr. Chairman, to go on, it didn't stop there though. In 1977 all of a sudden that 2.65 billion became 3.23. So there it was, Mr. Chairman, the Schreyer years. It moved from 988 million to 3.2 billion. Mr. Chairman, I think and a Conservative Government came into power partly, and were given a mandate by the people of this province to begin to work away, do what they could to reduce that deficit.

Well that didn't happen, Mr. Chairman. I want to tell you though about the numbers. 1978 the first full year of the Lyon government, the debt jumped to 3.6 billion, from 3.23 to 3.6; 1979 it moved to 3.94 billion. But, Mr. Chairman, finally after two years, that's how long it takes, Mr. Chairman, that's how long it takes, but the next two years 1980 and 1981 those figures moved from 3.94 to 4.00; and for 1981 it totalled 4.125 billion. Mr. Chairman, in four years the Conservative administration had increased .5 billion. So we turned over the reins of government in 1981 and the province then had a deficit, accumulated deficit, net of 4.125 billion.

Well, Mr. Chairman, what's happened since. I honestly believe that we turned the government over to the members, that we had spending somewhat under control. The members opposite of course said that those are the times of protracted restraint. That's the time that people were being driven out of this province, Mr. Chairman, and they had all those economic indicators at their hands to prove that, at least to the electorate in their mind. Mr. Chairman, do you know what's happened in five budgets from that 4.25 debt that was given to this government under the leadership of the Member for Selkirk. Do you know what it is today, Mr. Chairman? Today, as of March 1, 1986, five years later, five budgets later, Mr. Chairman, it's 7.3 billion. Mr. Chairman, we know it'll be close to a billion more in March, 1987.

Mr. Chairman, that's why some of us are sincere when we're asking the Minister of Finance if he can tell us what plan he has in place, what long-run plan

he has that will allow him to convince us that there will be revenues in place to meet the orderly servicing, and the orderly wind-down of a large portion of this indebtedness.

Mr. Chairman, it can't go on. The Minister can talk about what Standard and Poor's had to say about how it was that our problem was somehow related to transfer payments. Mr. Chairman, he can tell us, as the former Minister of Finance did, that our province spends the seventh least per capita but when one looks at the issue, you realize that we don't know where we're going. We have no idea.

I think and I hope that the Minister will now stand and tell us how it is, where this debt figure is going to be in three or four years. Mr. Chairman, we are directing this year \$380 million to servicing the debt in the form of interest. I know, even though interest rates are diminishing, that we are going to be directing that figure next year also to interest.

Mr. Chairman, I know my time is almost up. I'll rise again and ask the Minister some specific questions but I hope he'll take this opportunity to once again tell me where the province is headed because, in my view, it's headed to fiscal suicide. There's no other word for it, Mr. Chairman. None of my understanding associated with macro-economics gives me any confidence that the government knows where it's going. Mr. Chairman, I can tell you, my family has been here for four generations and my children's children will be here and it's for their sake that I want to know.

**MR. CHAIRMAN:** The Member for Arthur.

**MR. J. DOWNEY:** Mr. Chairman, I rise to put a few comments on the record because I think that we have reached a time in our province where, without responsible people taking hold and putting their thoughts and feelings forward, then we can't expect to come forward with some possible solutions.

Mr. Chairman, I would only hope that this Minister of Finance, that this government that we have in Manitoba today are serious enough about the Province of Manitoba and our future economic concerns to sit and listen and take some of the recommendations that come from the Opposition, because it is our responsibility to make positive and somewhat corrective recommendations. I do hope that they carry their responsibilities seriously enough to listen to the comments and concerns that are being put forward today dealing with this particular supply bill.

Mr. Chairman, this Minister of Finance, and I've said it before on the record and I'll say it again, I felt initially maybe the one person that sits in the Government Treasury Bench that has some credibility and has the ability to start to bring some economic sense back to the colleagues with which he sits, but unfortunately he has failed.

When we were put on a credit watch several weeks ago, Mr. Chairman - well, it was just the first part of July, it's not that long ago - the Minister indicated to us that he would be making a presentation to the rating company that would, in fact, possibly change their mind.

He now has a blemish, Mr. Chairman. This is the first opportunity for a Minister of Finance who should have some credibility - this is the first blemish that he has

as far as he's Minister of Finance is concerned. He's been very careful up until now on major issues that may have left a blemish on him, to shuffle them over to one of his colleagues. Well, he hasn't to this point got his courage up to lay the blame in a large part at the feet of the Premier and at the feet of the former Minister of Finance.

Let me assure you, Mr. Chairman, the more the former Minister of Finance speaks, the more convinced I am and the members of the Opposition and the public are, that he knew not what he was doing in the financial leadership of the province.

When one watches the Premier during question period and listens to what he has to say, Mr. Chairman, there is no hope. There is no hope of him ever understanding the magnitude of the problem and any possible way of laying out the kind of economic path that we have to follow to reverse what is taking place.

I'm sure, and I was encouraged again by the Minister of Finance's comments, that he was going to present some form of economic path or some form of economic recovery route that would be encouraging. I look around at all the backbenchers and some of the Cabinet Ministers. Surely they must have some kind of a feel for what is taking place around them.

The Minister of Urban Affairs has been involved in public life for quite some time in the operations of the people of the Civil Service. We know the former Minister of Mines and Energy has a fair understanding of money because he's certainly been involved in a lot of negotiations.

My friends who are representing some of the northern rural ridings must have a clear understanding of the economic base, after it's eroded to the point that they've eroded in Manitoba, that some action has to be taken.

I plead with them to take a hold, to carry out their responsibilities in a serious manner. They don't have to be lemmings, Mr. Chairman; they don't have to follow the Premier and the rest of the incompetents over the cliff. I plead with them to take hold of what the problem is that they had before us, because it's not for their political purposes but it's for the future of this province.

I say, Mr. Chairman, to you and to the members of this committee, why did we see a credit rating drop? Could it have been, Mr. Chairman, that the Manitoba Government, under the New Democratic Party, are playing around in Saudi Arabia with the taxpayers' money to the tune of probably in excess of \$10 million to \$15 million? Let's just deal with that issue briefly.

What is the mandate of the Manitoba Government and the Manitoba Telephone System? Is it to provide the opportunity for those people who are working for taxpayers, and telephone rate payers' money to go off abroad playing with some socialist experiment? My constituents are concerned about the day-to-day needs of the telephone system that they have provided for them through the public corporation. The telecommunications system that is set up, a linkage across this country in which the telephones play an important role, is extremely important to the well-being of the Province of Manitoba and we should participate in it.

But, Mr. Chairman, we have no licence - this government has no licence to mess around in foreign lands putting at risk the dollars of the taxpayers of this province. For what reason? — (Interjection) — Losing.

I tell you, Mr. Chairman, it's beyond comprehension as to what they are doing in that area. The person who is on the street, who walks in to use the telephone in a pay phone to call home, to phone for groceries, Mr. Chairman, a long distance call to families or friends, that is the purpose of the Manitoba Telephone System, to provide a basic need.

Mr. Chairman, this government and the expenditures of the taxpayers' money in an irresponsible way has gone far too far. I'll tell you, every time that an individual picks up the telephone in Manitoba over the next three or four years, we'll be reminded of the fact that they aren't able to have a private line in the country because the Premier and his Cabinet colleagues saw fit to give the MTS permission to play around in Saudi Arabia with their money.

Yes, Mr. Chairman, that's what they'll be reminded of. They'll be reminded that they have to pay increased tolls and increased charges because this government saw fit to play around in a jurisdiction or in an area that they had absolutely no business.

Mr. Chairman, they will reap the rewards of their misguided and mismanaged system under this Premier.

Mr. Chairman, we look at the \$10 million that is going into ManOil. Mr. Chairman, what do we need to invest money in ManOil today to lose money? It was demonstrated during the ManOil debate that there was no hope; no hope of selling oil to make a profit and it was absolutely not necessary. Mr. Chairman, let us follow through with the experience that we have had with the Manfor complex. Yes, the argument can be made, and has been made, and it has had to be made, or else the taxpayers would have backed away from it under our administration, under other administrations, that we are paying a tremendous price for the jobs that are being held at Manfor in The Pas.

Now, one would question the need to maintain the jobs at such a high hourly rate, you know, like \$18 an hour and \$14 an hour. I don't know whether the taxpayers should be called on to that extent, because the rest of us who are paying those tax bills, Mr. Chairman, can't afford to continue to do so because of the demands on the taxpayers to carry the debt that has been imposed upon us, to carry the tax load that has been imposed upon us under the mismanagement of this administration. Yes, Mr. Chairman, the backs of the taxpayers are getting tired of the mismanagement of this Premier and this government.

Where are their priorities, Mr. Chairman? I have to put this on the record because yesterday I had a meeting with some individuals who came in from The Pas. Why were they in from The Pas, Mr. Chairman? They're farm people; they pay taxes; in fact, they pay 60 percent of their land bill into education. They pay a heavy tax load, Mr. Chairman, whether it's fuel, or whether in fact it's the licensing for their automobiles, their trucks, they make a major contribution. Yes, Mr. Chairman, it is the second, probably the most important industry in The Pas, but I'm sure that the employment of agriculture is probably pretty close to Manfor.

This government has seen fit, yes, to put \$32 million directly into the upgrading of Manfor which will never be seen again by the taxpayers. We put \$31.5 million for 15 months to maintain Manfor for last year. But this incompetent government didn't have \$50,000 to maintain an agricultural representative's office in The

Pas. It's a crime, Mr. Chairman, it's an out-and-out shame! — (Interjection) — I don't have to talk louder. But this incompetent Minister from The Pas couldn't stand up and defend the 100 agricultural producers in that community. For \$50,000, the Minister of Agriculture said no, we can't afford to keep an office open in The Pas, for the people who are paying, Mr. Chairman, for the Manfor subsidy. Yes, Mr. Chairman, they are the taxpayers. But this Minister of Finance and this Minister of Northern Affairs don't have the courage to pay the people or to provide the service. I say provide the service that is essential to maintain the income for the province.

Mr. Chairman, a lot is said about the federal transfer payments that are coming to the province from the Federal Government and my colleague from Morris pointed out very capably who those people are that were expecting to pay for the shortfall. Mr. Chairman, I don't care how much money the Federal Government would give to this bunch of incompetent misusers of taxpayers' money, they would still be short of money, because you can never continue to spend more than you make. They've never learned that. I don't care, Mr. Chairman, they'll continue to make the argument; they'll continue to bash the Federal Government; they'll continue to say they've short-changed. But as long as they're prepared to dump taxpayers' money out at the rate that they are - and I again go back to the ManOil situation, to the MTX in Saudi Arabia, Mr. Chairman, to the kinds of wage settlements that they are prepared to give the Civil Service and the kind of political patronage money they're paying to their friends for the hiring - then it doesn't matter how much money they get from Ottawa. They will still be an embarrassment as fiscal managers for the Province of Manitoba.

Mr. Chairman, I urge this Minister of Finance, as we urged him before, to lay before us, before this Legislature, an economic statement of some form as to what the plans of the province are. Mr. Chairman, I don't think that the taxpayers of Manitoba on March the 18th had any idea of what they were going to be faced with by the end of July of this year as far as those taxpayers are concerned. They did not have the opportunity to hear what was meaningful to them. Yes, Mr. Chairman, they heard a campaign, they heard a political campaign that was well put together that they wanted the people to hear.

It leads me to another subject which I want to address briefly in my comments when I have the opportunity because I remember prior to March 18 where the beef producers of the Province of Manitoba were called to a series of meetings throughout Manitoba. The Minister of Agriculture didn't go but the head of the Beef Commission went. I would say, Mr. Chairman, that they were involved in all - you know, it was verged on political meetings that were held with taxpayers' money through the Beef Commission. I would say it verged on direct political support for the government.

The Minister of Agriculture is on the attack when he stands on this issue and he says why was it the Provincial Government's responsibility to go out throughout the province pointing out how bad the federal program was. Well, it wasn't his responsibility, Mr. Chairman, and you can bet your bottom dollar that if it hadn't been politically advantageous for this government that they wouldn't have done it. That's why they were running around, Mr. Chairman, throughout

Manitoba prior to the 18th of March election. They were running around saying this is the terrible federal program that's going to have such a major shortfall for you and this is the beautiful provincial program.

Now, Mr. Chairman, the whole picture has changed. The Minister of Agriculture stands up and he says we have to work towards making the Beef Program actuarially sound. Well, actuarially sound means that it's supposed to balance out over the next eight years; that for the first four years that there was a pay-out to the producers and over the next four years that there's to be a pay-back. What was the point of keeping them alive for four years if you're going to turn around in the fifth year and put them out of business? Well, you know what the point is, Mr. Chairman, because it is now after an election. Even worse, Mr. Chairman, this Minister of Agriculture and this great courageous crew who were going to stand up for Manitoba don't have the courage to go back out to the producers and say these are the options that we're providing for you. We will discuss them with you and we would like your input.

Mr. Chairman, as I understand it, my colleague from Ste. Rose has brought it to the attention of the Minister in question period, that there has been a refusal to go out to meet with the cattle producers. Yes, Mr. Chairman, a refusal to go out and meet with the cattle producers. I plead with the Minister of Agriculture on behalf of the cattle producers in my riding, to go and meet with them. They don't want to throw too big a stone at them, Mr. Chairman, they want to know where they stand; what the future of their program is; the future of the pay-back. They want to have an understanding of where to go.

It may not be politically advantageous to the Minister and to the government at this point but, Mr. Chairman, it's important to the well-being of the farm community. It's important to the well-being of those people who want to know what their future is.

Mr. Chairman, it is unfortunate that for political purposes this government saw fit to meet with those farmers prior to March 18, but because it isn't politically expeditious or proper now to meet with them on their behalf, then they won't meet with them. Well, they'll get caught up in their own game, Mr. Chairman. They're going to get caught up in their own game and they have been caught up in their own game because prior to the election of March 18, we didn't have the economic statement that we needed. But after March 18 we're now getting them. The story is now being told of the inability of this group of people to manage the taxpayers' funds.

They make the argument, Mr. Chairman, and this is the last point that I want to make, that they're not going to listen to some bond agency or some rating company in New York, that they're going to look after the interests of the people of Manitoba. Mr. Chairman, they may be able to introduce farm land family farm protection acts that in some way interferes with the loans that are owed by farmers to banks, but they can't bring in legislation that protects them from the international money market. They can't shield themselves from the decisions that are made by those people who are not fooled by their political rhetoric; who aren't fooled by their quick trickery and their game-playing. They, in fact, have to face what the international money market thinks about them.

This Minister of Finance is a big disappointment, and I use that word in two texts, big literally, but also a big disappointment as far as his ability to have said to the bond people, to the people who are involved with providing our credit rating, Standard and Poor's. He failed to demonstrate to them what they were going to do to maintain our credit rating.

My colleague from Morris has raised the most important question on this whole issue again today. Where are we headed? I projected in the Budget Debate that, within seven years, it would take 10 points on the sales tax to pay the carrying charges on our debt. That, Mr. Chairman, is not an inaccurate assessment.

I ask the Minister of Northern Affairs, the Minister of Natural Resources, who I would have thought had a little bit of business understanding, there are a lot of them there, like the Minister of Labour, who has absolutely none, but I would ask him to say, can his constituents, can his or their children withstand in seven years a rate of 10 percent sales tax just to pay the carrying charges on our debt? I ask him that in all sincerity. I don't think they can. I don't think any taxpayer in Manitoba will be able to pay a 10 percent sales tax to carry the debt to pay the interest charges on our debt-carrying costs. It isn't within the capability of people to do it.

So I say to the Minister of Finance, he wasn't able to give Standard and Poor's any economic direction or any satisfaction that they were going on the right economic path. I plead with him to lay out before this committee that he does it here; that he listens to what has been said today, because it's extremely important for the future of this province. Let them lay aside some of their political partisanship for a while, and let them get on with doing a job of trying to get this province back on track. If they can't, Mr. Chairman, then they should do the honourable thing, and pack it in and resign and, allow people to select a group of people who can in fact administer the affairs of the people.

Mr. Chairman, I would hope that the Minister of Finance is just a little more serious than some of his colleagues, who have not been able to contribute very much in any of the debates other than to bash the Federal Government.

Thank you.

**MR. CHAIRMAN:** The Member for Inkster.

**MR. D. SCOTT:** Thank you very much, Mr. Chairman.

I've sat here this afternoon and listened to various diatribes by the members opposite and especially from the Leader of the Opposition. What he showed today more than anything else is his lack of growth in that position, his wonderful ability to raise his voice to high pitches, as some members accuse me of doing from time to time. But really what is the substance of what he says? He rants and he raves about government.

I think his favourite word is something he must repeat a hundred times a day when he gets up in the morning and looks in the mirror, incompetence, because that's what he talks of constantly. But he offers next to nothing as far as alternatives go. If what he said during the election campaign, if he still believes that and if he was a part of writing the Tory election commitments, then it's not much far off being downright dishonest.

In their election campaign, we heard this afternoon, first of all, nothing but a diatribe about additional expenditures on the part of the Province of Manitoba and higher debt. In the election campaign, he hardly mentioned debt. Some of the members opposite made a conscious decision to not talk about debt in the election campaign because they were afraid that, if they talked about debt, it would bring back the memories of their former Leader and their former PC Government from 1977 to '81 of acute protracted restraint.

I happen to be a person who, in that campaign, talked about debt to my constituents. I felt it was far too high; I still feel it's far too high. People asked me: "Are you going to increase my taxes?" And I told them that I would be downright dishonest if I told them that I was going to be able to decrease their taxes. That's what I told my constituents at the door, and I brought the subject up as much and more often than they brought the subject up as well. I even campaigned on it in my nomination.

But what do we have from the Opposition? When the Opposition stands up and rants and raves about debt costs, when they knew that we had approximately .5 billion annual debt in the province, and they went ahead and they promised, and I quote from their election platform called "PC Programs for People." They said: "Our goal . . ." - on Page 20 - ". . . will be to increase total funding for services to people by a minimum of 6.5 percent in the first full year we are in office," the first year. That amounts to approximately \$130 million of new money, new expenditures over and above what the deficit was at the time, in the first year.

Furthermore they said, ". . . and working with the human services network," - that's within what they describe as the human resources network - "we hope to be able to identify another \$50 million that we can redirect within the system." So they're going to take what's in the health and education and social services system, and they said they're going to cut \$50 million by wiping out programs. They don't tell anybody what those are. No, no, no, they don't say that, but they're going to increase, they're going to find \$50 million that just isn't there to be had in those programs, and they're going to redirect it to some new priorities that they're going to come ahead with.

**A MEMBER:** Clayton must have written that. Clayton, did you write this?

**MR. D. SCOTT:** I don't believe the Member for Morris had anything to do with this. I think he's too honest.

But the Leader of the Opposition - and that is one of the reasons that he rang so hollow in the election campaign is because the people out there know you can't have it both ways. They wondered if something happened on a famous highway that some kind of a conversion had taken place in the Conservative camp. We know that road to Damascus has not been travelled in policy terms by the members opposite in their hearts.

Beyond increasing expenditures by 130 million new dollars and redirecting money within a program where there isn't money to be redirected, another 50 million for almost \$180 million therefore of new monies, they went ahead, as a key platform in their campaign, and

they were going to wipe out, not reduce, but cancel, wipe out the post-secondary education and health levy. That is worth \$125 million a year, and they had the gall to stand up in this House today and to talk about increased debt when they never mentioned about decreasing the deficit.

As a matter of fact, I can recall him saying and I don't have the quotes exactly, but saying that we recognize we're going to have to carry this for some time. Then in another section I'll quote in a couple of minutes, some magic formula that they have, or not magic formula but a magic reaction just to them being in office, that all of this was going to be wiped out. They're living in a fool's paradise, Mr. Chairman.

Beyond that amount - we're already up to \$180 plus \$125 for \$305 million worth of additional debt that the members opposite campaigned on, \$305 million. I'm not finished yet. They were going to cut hydro costs to businesses to encourage them to use more electricity, I guess. When we already had the cheapest hydro rates in North America, they thought they were going to increase investment by cutting rates further. That's nonsense, absolute nonsense. That was \$35 million they were going to take out of Hydro for that. So who was going to pick that up? Where were they going to pick that up from?

Autopac, they were going to cut your Autopac rate by 10 percent. Now, it didn't matter what kind of driver you were. It didn't matter if you were paying \$1,000 a year premiums or not or if you were paying \$292 premiums, like I paid last year. I would get \$29 back, but someone with a lousy driving record could get back \$100 and \$120 - nonsense.

The public knows a good deal. They know the value they get in their Autopac dollar today. They know what a valuable public service that is. They don't want to go back to your system of giving the icing on the cake to the private companies coming back into the province and leave our public corporation with the rest, because they know that's what your ambitions were a few years ago. By making these foolish, across-the-board 10 percent cuts - and we had a member here opposite this afternoon talking about rate increases within Crown corporations for political purposes.

What in the heck were the Tories doing in the last election campaign, but promising decreases in corporations, in fees charged for Autopac? That was an election issue for the members opposite. So don't try to have it both ways. I don't like using Crown corporations, personally, for election benefit as far as for adjusting rates. I think that they should be charged, and that those corporations should be made to be kept as solvent as possible, and we shouldn't be using them. But for them to accuse us of using them when they run around in an election campaign with a 10 percent cut which could put in jeopardy Autopac operations is, Mr. Chairman, an unparliamentary word. I would like to carry on their practice. So that's another thing. That's another \$35 million, so now we're up to \$340 million.

They had a Small Business Tax Credit, with no strings attached in their commitment, of \$3,000 per person employed for new employees. They were going to give a tax credit to corporations of \$3,000 each for small businesses. There were no questions asked. A person could lay someone off tomorrow, hire a new person, and they're going to give them \$3,000 to do it. That's

not good economic sense. That's not fiscal management. That's not working with the business community and setting up an advisory council or whatever else is going to turn the economy of the province around.

Mr. Chairman, we've got here, with that, up to \$355 million worth of promises from them, and there's another \$20 million or \$30 million worth of promises on top of that. So they came close to \$400 million, in one year I'm speaking about, one year's cuts in taxes and cuts towards Crown corporations. Somehow or other, this wasn't going to increase the borrowing requirements of the Province of Manitoba. Be a little bit honest, gentlemen, with us. Be a little bit consistent.

There are a couple of parts that I really enjoyed in their document, "P.C. Plans for Economic Growth," knowing the response of the members opposite to myself and to some of my colleagues and friends when we're dealing with environmental issues. On Page 14 of their document, they say, "Our economic development strategy is not and it cannot be seen as a business strategy." I can't quite understand that. "It must be, and we will strive to make it, through our six key economic strategy areas, a true consensus exercise."

Who was going to be included in that? Can you believe this, that they start off by saying unions will be included, as well as business owners and managers. We haven't had one piece of legislation in this House entered this year dealing with labour issues, dealing with pension issues, when the members opposite aren't howling about increasing business expenses and about our government giving too much to organized labour in the Province of Manitoba. Not one. The Member for Brandon West harps constantly. Anything at all dealing with the union, he seems to be against from his heckles from his seat and also from his speeches.

Not only that all of a sudden they're going to be bed-mates with unions, but they say environmentalists. They have included in their policy that they're going to work with environmentalists. I can just see the Member for Charleswood and the Member for Arthur sitting down and giving some kind of honest consultation and worthwhile discussions with environmentalists who, in many instances and most instances, I believe, have far more basic economic sense than the members opposite show, far more. And you're going to bring those people in, as well as the rest of the people who are more traditional friends of yours.

We need consultation in an economy, no question about that. We have done that since we took office, setting up the economic conferences in Portage la Prairie back in, I believe, 1982 was the first one, working with the business community. This government probably has a better record and a better feeling from the business community towards it than any other government in the province's history, certainly better than the members opposite when they were in office from 1977 to 1981.

People wondered where your heads were and what your role was as a government sometimes then, and what your actions were aimed towards and who you were trying to help. It certainly didn't help the economy of the Province of Manitoba. We, through our policies and through our direct intervention, I may say, in hydro development with our Crowns, with government-

purchasing policies and with other economic policies such as the Jobs Fund, have managed to keep Manitoba among the lowest in the whole country as far as unemployment is concerned.

We've kept up private industry investment in the province, and we've encouraged that and sped it up, I would say, by the sound negotiations by the Member for Transcona in dealing with Limestone, in particular. Limestone is something the members opposite, in their statement here on Page 20, talked about hydro being a burden, that Limestone would be a burden on the people of Manitoba. Then on Page 21, all of a sudden, they say they're going to proceed with it in a fashion the same as what we are proceeding with it.

I somehow doubt that they would be proceeding with it and have the same cost savings from that project as we have had. I doubt that very, very strongly because, when they left office, they were talking about \$3 billion to build that plant and now we're down to around \$2 billion as our expected completion cost, one-third less, a whole \$1 billion less due to going to the market at an opportune time, to the construction firms to come in and build a plant. It's not holding off, hoping that the construction industry would pick up in other sectors of the world, so that the prices be bid up on our projects here in Manitoba. That was good financial and good business sense exercised by this government in going ahead with that project when we did, when we know we can sell the excess on a short-term basis before our long-term projects and long-term sales even come into being. You people, in your campaign, talked about that as being a burden.

Mr. Chairman, how are they going to solve all this? Well, this is their wonderful leap of faith. They state that they're going to solve the deficit problems of the province by, and I quote from Page 17 of their Economic Platform: "The natural increase in revenue, plus the growth in increased economic activity that will result from our economic programs will permit us to use those commitments while still beginning meaningful reductions to the deficit, without major cutbacks in other government programs and without public service layoffs."

Just a few minutes ago, we had one of the members opposite, I think it was the member - which one was it? The Member for Arthur was complaining about increases being given to civil servants in the public service. Here in their election campaign, they're saying there would be no public service layoffs. He just criticized us for having negotiated, a couple of years ago, a next-to-no increase in salary and a no-layoff clause in the public service, and here it is right in their election platform. Let's have some consistency and a little bit of honesty from the members opposite, please.

I remember hearing this same rationale that, all of a sudden just because the P.C.'s are in office, everyone is going to be happy and spend money. We're going to have all kinds of investment come into the country. I heard that from Brian Mulroney in the 1984 election campaign. I never heard anything. He just said a mere election would bring billions of dollars worth of investment into the country, billions of dollars.

Now what has happened? He was going to cut down the deficit by all this huge economic activity that was going to take place. But what has happened since then? Brian Mulroney never talked about any tax increases

when he campaigned federally in 1984. He never mentioned any tax increases.

In our 1984 Budget, we had tax increases. In the 1985 Budget, one just this spring, we have had the highest increase in taxes by a Federal Government in the country's history. I'm not criticizing him for doing that. Don't get me wrong; I think they're doing the right thing. I think they have to raise revenues in the country. The first way they've got to start doing it, unfortunately, is through tax expenditures and eliminating the huge \$30 billion to \$50 billion worth of tax expenditures we've got out there, not just slashing programs and especially not slashing the transfers to Provincial Governments and put an additional burden on Provincial Governments to operate programs that have been developed in concert over the past 20 years with the Government of Canada. That's a little bit dishonest.

What have we now got from the Government of Canada coming forward? We have a value-added tax being promoted by the Federal Minister of Finance. Yes, he calls it a business transfer tax. It's a value-added tax. I myself approve of value-added taxes. I think they're a sound form of taxation, a far more sound form of taxation, unfortunately, than our present income tax system allows. But did we hear about that in 1984? No, he's not reducing the deficit by an increase in economic activity in the country, even though the country has seen some fairly decent economic performance since he's come into office. I would say, not necessarily any great fault of the Government of Canada, but they are trying to reduce the deficit by cutting expenditures. In particular, the biggest cuts are going to the provinces and lower levels of government and by increasing taxes.

Increasing the business transfer tax, he's talking of over - it's a couple of billion dollars he's talking on something like, I think it's \$10 billion or \$12 billion, I heard, one figure of the business transfer tax it could bring into the federal coffers. That's an awful pile of money to not have campaigned on and to say that your economy is going to turn around just because you're elected; because a Conservative Government is elected, everything's going to be roses. The Government of Canada has learned their lesson and I wish, for heaven sakes, that members opposite would learn a bit of their lesson as well and to be consistent in this House, as it were, in the election campaign. Let's have some consistency from members opposite.

Mr. Chairman, I would like to close my comments today and leave the Minister of Finance an appropriate time to respond as well, but I felt at least I had to put a lot of things on the record when I see the comments, the sort of half-truths, coming from the members opposite and the twisting of their positions from day to day to fit whatever day they feel and to fit whatever position they wish to put across.

I don't believe you can have it two ways. They want to have it three or four ways.

Thank you very much, Mr. Chairman.

**MR. CHAIRMAN:** The Member for Morris.

**MR. C. MANNES:** Mr. Chairman, I'm sorry to disappoint members opposite, but I don't have a long speech that I want to make.

I do though want to ask the Minister of Finance one thing. It happened in the hallway today and I want to question him as to the propriety of something that I saw.

Mr. Chairman, as you probably are aware, many of us were questioned after question period today with respect to some of the questions and answers given during Oral Question period.

Mr. Chairman, I'd like to ask the Minister of Finance whether now he is bringing in the Deputy Minister to help him in answering questions, answers to which he gives to the media, because today I detected where the Deputy Minister of Finance was providing answers to the media in the hallway. I would question the Minister as to whether that is a proper action on his deputy's behalf.

**MR. CHAIRMAN:** The Minister of Finance.

**HON. E. KOSTYRA:** Thank you, Mr. Chairman.

I'd like to respond to that question and some of the other comments that have been raised by members on both sides of the House in regard to the Interim Supply Bill that's before the Committee of the Whole.

I want to first say I appreciate the comments of all members and appreciate and hope that they will assure that we have speedy passage of the Interim Supply Bill so that we can provide for the needs of the government departments.

Let me say, I've been troubled by some of the comments that have been made today by some members opposite, and some of them I found quite revealing. We've had considerable more discussion here on the issue of transfer payments and we had a situation with respect to the credit agency, Standard and Poor's, a so-called independent agency that members opposite have been using as a source of reflection on the province. If they believe that and if they believe that is the kind of analysis they should accept, then they should also accept the analysis that was done by Standard and Poor's on the revenue situation of the province, where they stated that part of the difficulty - and I don't say all of it and I've never said that - that faces the province on the revenue side is the fact that the only option for any increases in revenue is in in-province revenues.

They clearly indicated that they see, as they have with other provinces that are in a similar situation to Manitoba with respect to transfer payments, that there is a negative impact on the Province of Manitoba by the position of the Federal Government with respect to transfer payments.

They don't believe our words; they don't believe the words of their Conservative colleagues in other provinces. Maybe, if they believe their own words as they intend to use the comments of Standard and Poor's in other respects, that they'll believe it in that respect.

The other thing I found very revealing by some of the discussion today on it was the reference by the Member for Morris with respect to the issue of tax points. I found that very revealing because, you know, the former Finance critic for the Conservative Party admitted very clearly that he saw the whole issue of the Federal Government, including tax points, in their analysis of their transfer payments to the province as a bit of a shell game, and he said that publicly.

Here we have the Member for Morris saying, you know, Mr. Chairman, it's no different - I'm paraphrasing because I don't know his exact words - than the situation of the Province of Manitoba with respect to the 2.2 percent of the corporate income tax that is passed on to the municipalities; it's the same thing.

In fact, it is the same thing. The difference is that the province has never stated and has never used that transfer in any of the figures that it's shown with respect to assistance to cities. We don't, when we sit down with the City of Winnipeg, say you're getting not just X amount of dollars in terms of what comes of appropriation, but you're getting X tax points in reality from the Province of Manitoba; you're getting 11 percent, rather than 9 percent. That's never stated, but that's exactly what the Federal Government is doing with respect to those tax points.

They're saying, "Oh yes, we're giving more money; we're giving you all these tax points," which is the province's own money, as set by the former critic for Finance, the former Member for Turtle Mountain. He said that very clearly, and the member, if he reflects on his comments, he's admitted that; but the difference is the province doesn't take credit for that and say, oh yes, that's just part of the same money we're giving you, so if there's a decrease in the appropriation, you're getting an increase here, so it's really our largess to you and that's exactly what the Federal Government is saying. But there is an admission today that was the situation.

I'd also just like to make a couple of other comments with respect to something the Member for Morris said earlier and that was actually in question period with respect to Appendix 8(a) of the Budget, where he was suggesting that the amounts referred to in Page 8 of Appendix (a) of the Budget were the actual costs to the province of the foreign exchange fluctuations. That is not true and I think the member knows that; that is not what the province has to pay out.

That is just showing what the situation is with respect to the current exchange rates and obviously the fluctuate and, over time, they change. So the actual cost is what is payable at the end of the issue, not what the present situation is.

The other thing in terms of dealing with the reserve, that is amortized in the costs of borrowing over time, so it is reflected in the costs associated with the public debt costs.

The Leader of the Opposition made some reflection with respect to the timing of the announcement yesterday, that somehow we hid it till late in the day. I ask him to reflect on his words when the information came over the telex just prior to three o'clock and came to me after question period, and within an hour we issued a release how we were hiding that. If we would have waited till the next morning and issued it, he would have made the same claim, so I don't know. That's one of the things where you're damned if you do and you're damned if you don't, but that's the reality of the situation.

In fact it was released to the press by me, before the press even got it on their own telex services. So if that's hiding, then I'd like him to explain that one to me. I'm sure that if nothing was said till the next day, then the lead-off in question period is: why you hid this thing overnight from the people of the Province

of Manitoba; so I really find those comments inappropriate and in variance with the truth.

I also found some interest in the comments from the Member for Pembina when he talked about and he was making comment about the wage increases that have been negotiated with respect to the Civil Service. He made a comment which I found quite distasteful and quite a reflection on the Civil Service in Manitoba. He said that the MGEA is filling their pockets by the settlement with the government. Well, the MGEA is not filling its pockets.

The individual civil servants who are doing a job for the Province of Manitoba are being dealt with in an appropriate way with respect to salary increases. The interesting thing about his comments is that the salary increases are less than the kind of salary increases that he negotiated when he was part of the government; a lot more, Madam Speaker, and somehow he says that we're negotiating these settlements that are big giveaways.

They panicked when they were in government and gave large settlements. It was a bit of a joke in the union movement at that time as to what you've be able to negotiate out of a Conservative Government. If you reflect on that and look at what those increases are, you'll find that they were considerably higher during his time in government.

There are other areas that I would like to discuss, but let me just finish by responding to the last question of the member, which I found a peculiar question. I've never put a muzzle on anybody in terms of answering questions, certainly not a Deputy Minister. The fact that he was out in he hall to talk to me about something is, I think, not inappropriate at all.

**MR. D. ORCHARD:** Mr. Chairman, just a couple of questions that I want to pose to the Minister. April 21, 1986, the Finance Minister, as chairman of Treasury Board, sent to Ministers, Deputy Ministers, financial contacts, the Cabinet-approved resource allocations.

On Page 2 of that memo, Mr. Chairman, I'll quote to the Minister the appropriate part of his memo: "Cabinet has declined to provide additional funding in the 1986-87 Estimates to offset the cost of negotiated salary increases scheduled to occur during the 1986-87 fiscal year. Cabinet has directed that departments accommodate these cost increases within their approved resource allocations."

Now, Mr. Chairman, can the Minister just refresh my memory as to what is the salary increase, or what's the negotiated increase that I think is triggered about September 1?

**HON. E. KOSTYRA:** It's based on a cost-of-living formula, so there isn't a specific figure at this point, until the appropriate time comes and I don't know when it is, but it's based on a formula. It's targeted or suggested to be approximately just over 4 percent.

**MR. D. ORCHARD:** Mr. Chairman, let's assume that we work on the 4 percent target and there are six months of the fiscal year left - at that point in time, September 1 - then that means that the salary increase of 2 percent, which is what it would be effective for half of the fiscal year according to this directorate, then

the department must fund that salary increase within its global allocation. There's not going to be any additional funds, according to this memo, provided other than the improved resource allocations which I presume is the global increase by department.

Now, Mr. Chairman, that begs a couple of questions. I admit to the Minister, I haven't looked at all departments, but I'm going through the Department of Health. We find in appropriation after appropriation that Other Expenditures are down while Salaries are up.

My question to the Minister takes two forms: first of all, this Cabinet directive indicating that no additional funding for salary increases are part of the budget, then does that mean to pay salary costs - because you still have a no-cut contract; in other words, you cannot reduce your salary costs by laying off any of your employees because you've got a no-cut contract - does this mean that departments are being forced to pay salary increases by decreasing the services which are provided in the Other Expenditures?

**HON. E. KOSTYRA:** No, not necessarily.

**MR. D. ORCHARD:** The Minister gave a "no," and then a "no, not necessarily" answer; and I think the "not necessarily" are the key operative words, because even though we've had assurance so far from the Minister of Health that none of his programs will be cut because of a lack of expenditure or a decrease in the Other Expenditures, we find the anomaly coming up here with a no-cut contract that Other Expenditures are decreasing in the Department of Health and the Minister is indicating that with an inflation rate projected to be, say 4 percent, that they're going to carry on with the same level of service.

Now that doesn't cut any ice, so I think clearly what we've got from this memo is this memo was followed to the letter of the instruction. We are going to have a reduction in service in order to pay civil servants their salaries, because you can't have fewer dollars in Other Expenditures with an inflation rate of 4 percent and not have those dollars perform less services that the civil servants are going to do.

At the same time we've got on average in the Department of Health, an 8 percent increase in the Salary line. That's roughly the increase, if you average it throughout the various branches.

So my second question to the Minister is: is there a second directive to the departments that they maintain, say a 7 percent or 8 percent target vacancy rate within their departments?

**HON. E. KOSTYRA:** I don't know what the member is suggesting. I don't know if he's suggesting we ought to be looking at even spending more money this year, I certainly reject his suggestion, if that indeed is what he's suggesting, and increase the deficit this year. I reject that.

The situation is that through the management of the departments, whether it's through the length of time that it takes to fill vacancies, whether it's through other control mechanisms, that the departments are expected to absorb those increases within their department

management. The reports that we receive back from most of the departments to date, they are accommodating that without any impact on program.

**MR. D. ORCHARD:** Mr. Chairman, I'm not advocating to this Minister that the deficit be increased. What I'm concerned about is that one of two things is going to happen with this directive. Program and services are going to be cut in order to accommodate salary increases to the Civil Service under a no-cut contract, or the Minister is going to be coming back with a Special Warrant to cover those September 1 increases in salary. It's one of the two things; either the deficit will have been understated in the original presentation of the Estimates, or services will be cut if this directive is followed.

**HON. E. KOSTYRA:** No, I don't think neither of those are true, Mr. Chairman. As I indicated, the departments will be taking the necessary steps. They were aware of the impact of the increase and they were planning for that and were told to accommodate that within their operations without having an impact on programs.

The member is also aware that indeed when he was in government, he budgeted figures of 1.9 percent for wage increases and then in the end negotiated settlements that were in excess of 6 or 7 percent.

**MR. CHAIRMAN:** Are we ready to consider the bill? Pass? The bill is passed. Are we passing the bill as a whole?

**SOME HONOURABLE MEMBERS:** Yes, yes.

**MR. CHAIRMAN:** The bill is passed as a whole.  
The time being 5:30 p.m., Committee rise.  
Call in the Speaker.

## IN SESSION

Madam Speaker, the Committee of the Whole has considered Bill No. 7, The Interim Appropriation Act, 1986, and directs me to report the same.

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

**MR. C. SANTOS:** Madam Speaker, I move, seconded by the Honourable Member for Inkster, that the Report of the Committee be received.

**MOTION presented and carried.**

## THIRD READING

### BILL NO. 7 - THE INTERIM APPROPRIATION ACT, 1986

**BILL NO. 7,** by leave, was read a third time and passed.

**MADAM SPEAKER:** The hour being 5:30 p.m., the House is now adjourned and stands adjourned till 2:00 p.m. tomorrow (Thursday).