



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

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**DEBATES  
and  
PROCEEDINGS  
(HANSARD)**

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37 Elizabeth II

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fourth Legislature**

**Members, Constituencies and Political Affiliation**

NAME	CONSTITUENCY	PARTY
<b>ALCOCK, Reg</b>	Osborne	LIBERAL
<b>ANGUS, John</b>	St. Norbert	LIBERAL
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BURRELL, Parker</b>	Swan River	PC
<b>CARR, James</b>	Fort Rouge	LIBERAL
<b>CARSTAIRS, Sharon</b>	River Heights	LIBERAL
<b>CHARLES, Gwen</b>	Selkirk	LIBERAL
<b>CHEEMA, Gulzar</b>	Kildonan	LIBERAL
<b>CHORNOPYSKI, William</b>	Burrows	LIBERAL
<b>CONNERY, Edward Hon.</b>	Portage la Prairie	PC
<b>COWAN, Jay</b>	Churchill	NDP
<b>CUMMINGS, Glen, Hon.</b>	Ste. Rose du Lac	PC
<b>DERKACH, Leonard, Hon.</b>	Roblin-Russell	PC
<b>DOER, Gary</b>	Concordia	NDP
<b>DOWNEY, James Hon.</b>	Arthur	PC
<b>DRIEDGER, Albert, Hon.</b>	Emerson	PC
<b>DRIEDGER, Herold, L.</b>	Niakwa	LIBERAL
<b>DUCHARME, Gerald, Hon.</b>	Riel	PC
<b>EDWARDS, Paul</b>	St. James	LIBERAL
<b>ENNS, Harry</b>	Lakeside	PC
<b>ERNST, Jim, Hon.</b>	Charleswood	PC
<b>EVANS, Laurie</b>	Fort Garry	LIBERAL
<b>EVANS, Leonard</b>	Brandon East	NDP
<b>FILMON, Gary, Hon.</b>	Tuxedo	PC
<b>FINDLAY, Glen Hon.</b>	Virden	PC
<b>GAUDRY, Neil</b>	St. Boniface	LIBERAL
<b>GILLESHAMMER, Harold</b>	Minnedosa	PC
<b>GRAY, Avis</b>	Ellice	LIBERAL
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Harry</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupertsland	NDP
<b>HELWER, Edward R.</b>	Gimli	PC
<b>HEMPHILL, Maureen</b>	Logan	NDP
<b>KOZAK, Richard, J.</b>	Transcona	LIBERAL
<b>LAMOUREUX, Kevin, M.</b>	Inkster	LIBERAL
<b>MALOWAY, Jim</b>	Elmwood	NDP
<b>MANDRAKE, Ed</b>	Assiniboia	LIBERAL
<b>MANNES, Clayton, Hon.</b>	Morris	PC
<b>McCRAE, James Hon.</b>	Brandon West	PC
<b>MINENKO, Mark</b>	Seven Oaks	LIBERAL
<b>MITCHELSON, Bonnie, Hon.</b>	River East	PC
<b>NEUFELD, Harold, Hon.</b>	Rossmere	PC
<b>OLESON, Charlotte Hon.</b>	Gladstone	PC
<b>ORCHARD, Donald Hon.</b>	Pembina	PC
<b>PANKRATZ, Helmut</b>	La Verendrye	PC
<b>PATTERSON, Allan</b>	Radisson	LIBERAL
<b>PENNER, Jack, Hon.</b>	Rhineland	PC
<b>PLOHMAN, John</b>	Dauphin	NDP
<b>PRAZNIK, Darren</b>	Lac du Bonnet	PC
<b>ROCAN, Denis, Hon.</b>	Turtle Mountain	PC
<b>ROCH, Gilles</b>	Springfield	PC
<b>ROSE, Bob</b>	St. Vital	LIBERAL
<b>STORIE, Jerry</b>	Flin Flon	NDP
<b>TAYLOR, Harold</b>	Wolseley	LIBERAL
<b>URUSKI, Bill</b>	Interlake	NDP
<b>WASYLYCIA-LEIS, Judy</b>	St. Johns	NDP
<b>YEO, Iva</b>	Sturgeon Creek	LIBERAL

## LEGISLATIVE ASSEMBLY OF MANITOBA

Monday, August 8, 1988.

The House met at 1:30 p.m.

### PRAYERS

### ROUTINE PROCEEDINGS

### MINISTERIAL STATEMENTS AND TABLING OF REPORTS

**Hon. Jim Ernst (Minister of Industry, Trade and Tourism):** I have the honour of presenting four reports this afternoon, the first being the Annual Report of Manitoba Industry, Trade and Technology for the year 1986-87. I also wish to present the report for 1986-87 of the Department of Business Development and Tourism. I also have the honour of submitting the report of the Manitoba Development Corporation for the year 1986-87; and the report for Manfor Limited for the year ending December 31, 1987.

**Hon. Donald Orchard (Minister of Health):** I wish to table the Annual Report for 1987-88 of the Manitoba Health Services Commission.

**Hon. Edward Connery (Minister of Labour):** I wish to table the 1987 Annual Report for the Workers Compensation Board of Manitoba. I would also like to table the 1986-87 Annual Report for the Clean Environment Commission.

**Hon. James Downey (Minister of Northern Affairs):** I would like to table the Annual Report 1986-87 for the Department of Northern Affairs.

### NON-POLITICAL STATEMENT

**Mr. Speaker:** Prior to oral questions, I am sure all Honourable Members would like to join with me in congratulating the Honourable Member for Lac du Bonnet (Mr. Praznik) and his wife Shelley on the birth of their daughter, Kaitlin Rose, yesterday at St. Boniface Hospital. I am informed that mother and daughter are doing fine and I am sure all Honourable Members would like to wish them well.

\* (1335)

### ORAL QUESTION PERIOD

#### Dept. Amalgamation Contract Employee Dismissals

**Mrs. Sharon Carstairs (Leader of the Opposition):** Mr. Speaker, I join with you, as does everyone, in congratulating the Member for Lac du Bonnet (Mr. Praznik) and, of course, his wife—she is not here—mostly his wife. She did most of the work.

My question is to the Premier (Mr. Filmon) in his capacity as president of the Treasury Board. A number of employees in the new Department of Industry, Trade

and Tourism have learned that they no longer will be employed in their current jobs. One-half of these employees are contract employees and will not have their contracts renewed as of the end of August. I ask the First Minister: How many other contract employees in this Government will not be re-hired as at the end of August?

**Hon. Gary Filmon (Premier):** I am sure that the Leader of the Opposition (Mrs. Carstairs) understands that those are detailed questions that should be covered in the course of the review of the Estimates, the Estimates which will be tabled shortly for each department. She will have an opportunity to review department by department, area by area, as to which areas of bureaucracy that we have been able to reduce. I remind the Leader of the Opposition that she said when she was running for election that she would eliminate bureaucracy, not programs.

We have followed that specific guideline. We have said we believe that we can make Government leaner, more efficient and more effective by reducing the bureaucracy, and that is what we are doing.

#### Dept. Amalgamation Contract Employee Dismissals

**Mrs. Sharon Carstairs (Leader of the Opposition):** A supplemental question to the Minister of Industry, Trade and Tourism (Mr. Ernst). These employees in the two departments who are going to be transferred or given other positions have been told by letter that they should seek retraining. Can the Minister of Industry, Trade and Tourism inform the House as to what specific plans his Department has with regard to retraining programs?

**Hon. Jim Ernst (Minister of Industry, Trade and Tourism):** As the Premier (Mr. Filmon) has indicated, the amalgamation of the two departments—Industry, Trade and Technology and Business Development and Tourism—has resulted in a much more efficient department with less senior bureaucracy and certainly a much clearer arrangement between the functions of the two departments.

Previously, we had Business Development which dealt with businesses with employees of under 50; and Industry, Trade and Technology, which dealt with more than 50 employees. So we have a leaner, more efficient department as a result. Of the 16 people who were term employees, half of them have been replaced already in the Civil Service. Of the 18 who were permanent employees, about half of them also have jobs in the service. It is anticipated that all of them will be absorbed within the next six to eight months.

## Rural Economic Development

**Mrs. Sharon Carstairs (Leader of the Opposition):** With a supplementary question to the Minister of Industry, Trade and Tourism (Mr. Ernst), individuals have been trained in the former department in areas of rural economic development, particularly with regard to the North. Those people have a working relationship with the northern communities, particularly the Native communities.

Can the Minister explain why some of those individuals have been transferred to southern Manitoba, more specifically, Winkler, where they have no expertise and training in dealing with the local problems in that area?

**Hon. Jim Ernst (Minister of Industry, Trade and Tourism):** The whole question of economic development in rural Manitoba is going to be the subject of an announcement within the next hour or so. So I hesitate to pre-empt the Minister of Finance (Mr. Manness) in that statement. But with regard to the specifics of that question, I will take it as notice and advise the Member in due course.

\* (1340)

## Mental Health Directorate

**Mrs. Sharon Carstairs (Leader of the Opposition):** My question is to the Minister of Health (Mr. Orchard). The Speech from the Throne indicated strong and enhanced support for mental health services in Manitoba, yet it would appear that this Government has not yet appointed a new executive director of the Mental Health Directorate.

So I ask the Minister of Health can the Minister explain why he has not filled this position which has been vacant since May 1?

**Hon. Donald Orchard (Minister of Health):** Those recruitment efforts to such positions are not undertaken overnight. I am hopeful that the Leader of the Opposition might bear with some patience and await an announcement when a suitable individual is recruited.

**Mrs. Carstairs:** We are well aware that we want qualified people. Can the Minister explain to the House, therefore, why this position has not even yet been bulletined?

**Mr. Orchard:** The whole issue of delivery of mental health is certainly one that needs substantive and broad addressing. There are a number of issues which divergent problems have emerged from not only ranging from the shortage of psychiatrists in the Province of Manitoba, the acute difficulties that we face in the community hospitals in terms of psychiatric recruitment, but indeed those difficulties extend to a substantive lack of delivery of quality mental health services in rural Manitoba and northern Manitoba.

All of those issues are the focus of internal review to find the most appropriate method of organizational

delivery of mental health services in the Province of Manitoba. One does not want to pre-empt any decision made in terms of staffing because of internal investigation to determine the most appropriate level of staffing and where the most appropriate individuals ought to be placed.

**Mrs. Carstairs:** Mr. Speaker, it would appear that the Minister has not yet approved the hiring of a new executive director. Can he assure this House that there will, indeed, be an executive director of the Mental Health Directorate in Manitoba?

**Mr. Orchard:** I can assure the Honourable Leader of the Opposition and Manitobans that the issue of delivery of mental health services to the citizens of Manitoba who need that service will take priority with this Government as it has.

## Finance Dept. Independent Audit

**Ms. Maureen Hemphill (Logan):** I have a question for the Premier (Mr. Filmon).

The Minister of Finance (Mr. Manness) decided not to release the normal Fourth Quarterly Report and, in doing so, he shipped all the books to a private accounting firm and stated that the word of this private accounting firm was going to be more credible than the Department of Finance.

Mr. Speaker, I would like the Premier of our province to tell us how it is that the Minister of Finance, on the day of releasing a first Budget, can undermine the credibility of the Deputy Minister of Finance who has been lauded by the former Tory Minister of Finance, by financiers from Tokyo to Zurich, and by the New York credit rating firm of Standard and Poor's? How is it that they can undermine the credibility of the Finance Department and the Deputy Minister of Finance?

**Hon. Gary Filmon (Premier):** Mr. Speaker, I appreciate the question from the Member for Logan (Ms. Hemphill). She promised me that she would be asking a question soon in this House. I am delighted that it is about this topic.- (Interjection)- She did not ask one of me last week.

I have been waiting patiently for a question from her, and I am glad that she has obliged. I am glad that she has given me an opportunity to put on the record the fact that it is not the credibility of the Deputy Minister of Finance that is in question. It is the credibility of the former NDP administration. That is what we have been hearing.

\* (1345)

I might say that this was in no way done in a political fashion. This was done in a fashion with the complete support, initiative and cooperation of not only the Deputy Minister of Finance, but all the senior officials in the Department of Finance and the Provincial Auditor. They worked hand in glove with Stevenson, Kellogg,

Ernst & Whinney in doing this audit. So rather than, as the Member for Logan (Ms. Hemphill) says, the Finance Minister declining to issue the Fourth Quarterly Financial Statement, he said he would delay it until he had the results of the audit so that all of the information was placed on the table concurrently, so that Manitobans could know the full and complete financial picture.

As an open Government, that is what we want. Manitobans will know the full and complete and open financial picture, and they will make their judgments as to where our province stands in a fiscal and financial sense. That is the complete information and package that will be provided by the Minister of Finance today, and I am sure that she and her colleagues will want to know that external auditors have given a full review of the financial position of the province in keeping with this year's Budget.

**Ms. Hemphill:** I recall in this House last week, I think, when the Premier (Mr. Filmon) was defending cuts of senior civil servants, saying that they gave the opportunity to all the civil servants. They recognized their capability.

**Mr. Speaker:** Does the Honourable Member have a question?

**Ms. Hemphill:** Yes I do, Mr. Speaker.

I want to know if this quote is inaccurate. It says: "Instead, all the books were shipped to a private accounting firm . . . ."

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

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

The Honourable Member should ascertain the accuracy of her facts before bringing the matter before the House.

**Ms. Hemphill:** I would like to ask the Premier to withdraw this statement on behalf of the Minister of Finance (Mr. Manness) and his Government, the statement that has the Minister of Finance saying their word would be more credible than figures from the Department of Finance.

**Mr. Filmon:** I want to just correct the false impression that is attempted to be created by the Member for Logan (Ms. Hemphill). Firstly, that we shipped the books to a private accounting firm. Stevenson, Kellogg, Ernst & Whinney came here to the provincial Government and worked hand in glove with the Provincial Auditor and the provincial Department of Finance. They worked on the books that had been jointly prepared by the Provincial Auditor and the Department of Finance. They worked cooperatively with the Provincial Auditor and the Department of Finance, and they were both satisfied that this was the right process.

Our audit, the audit that we commissioned, addressed many of the issues that they put forward. They were concerned that as the NDP administration had portrayed the debt and the financial situation of the

province, it was not accurate. They are satisfied that it is accurate, and they have been satisfied with the process all the way through because they have been part of the process.

**Ms. Hemphill:** Yes, I want to try again. I want to know if this means that the Government and the Minister of Finance (Mr. Manness) could not depend on statements and on work that was done by the Department of Finance. Does he not believe that this statement is going to undermine the credibility of the Department of Finance and the Government in international money markets and with the credit rating firm of Standard and Poor's?

**Mr. Filmon:** No, in fact we could not depend on statements made by the former NDP administration and their outgoing Premier, Mr. Pawley, because they were making statements about the finances of the province that were not accurate, that were not factual. Those statements are the ones that were lacking in credibility and that had to be examined. That is why we brought in an outside audit firm to work hand in hand with the Provincial Auditor and the provincial Department of Finance, and they brought forward accurate information that the people of Manitoba can have confidence in.

\* (1350)

### Psychogeriatric Care

**Mr. Gulzar Cheema (Kildonan):** Mr. Speaker, my question is to the Minister of Health (Mr. Orchard).

It is projected that by the year 2001, Manitobans 60 years and over will make up more than 12 percent of our population. The evolution of psychogeriatric services over the last three decades has been ignored with no clear policy direction for the development of these specialized services in Manitoba. As a result, these services are fragmented and underdeveloped.

My question is to the Minister: Will he table a comprehensive plan for the delivery of psychogeriatric services to deal with the present and future needs of elderly people of Manitoba?

**Hon. Donald Orchard (Minister of Health):** Mr. Speaker, this is an issue that was the subject of questioning approximately two to three weeks ago. I indicated to my honourable friend, the Liberal Health critic (Mr. Cheema), that those areas specific to services to seniors and psychogeriatric care are issues that are going to be of growing importance to that particular demographic group of Manitobans.

I also indicated to my honourable friend that it is a new discipline, by and large, to the Faculty of Psychiatry. It is a specialty for which few current graduates have undertaken training specific to the delivery of psychogeriatric care. That issue is under discussion with the Faculty of Psychiatry and with other experts in the field of mental health to accurately determine how we can meet those growing and anticipated future needs.

### Psychogeriatric Education

**Mr. Gulzar Cheema (Kildonan):** Mr. Speaker, my question is to the Minister of Education (Mr. Derkach).

At present, there are no post-graduate training programs to provide health care professionals with psychogeriatric training and expertise. Will this Minister make the establishment of such a program within the existing schools for health care professionals a priority one?

**Hon. Leonard Derkach (Minister of Education):** I thank the Member for that question. Certainly, this is an issue of concern for all involved. I would have to say that it will be a matter which will be considered in due course. It is a matter which falls into the purview of the faculty. Certainly, this Government is aware of the needs and is currently doing all it can to establish the appropriate needs for all Manitobans.

### Mental Health Crisis Shelters

**Mr. Gulzar Cheema (Kildonan):** My final supplementary question to the Health Minister (Mr. Orchard).

Mr. Speaker, not only the psychiatric services to the elderly are inadequate but to all the mentally-ill Manitobans. I am sure the Minister realizes that our health care costs are rising, and treating patients in the hospital is the most expensive way of dealing with health care.

Will this Minister make a commitment today to establish crisis shelters for the mentally ill, for young and old, for those requiring crisis intervention and emergency placement?

**Hon. Donald Orchard (Minister of Health):** My honourable friend has demonstrated some knowledge of the inadequacies of our mental health system in Manitoba. What my honourable friend ought to identify is the very real outcome of six years of Government in which the profession of physician was not deemed to be one of value and esteem. There was constant warfare.

Unfortunately for those requiring psychiatric treatment in the Province of Manitoba, I am afraid that too many psychiatrists in the Province of Manitoba took the advice of my predecessor, the former Minister of Health, where he said, if you did not like it here, you could leave Manitoba. That is exactly the problem that we have inherited three months ago in Government, where we have a shortage of psychiatrists. My honourable friend's suggestion is meritorious except for the difficulty at present within our wards, in our hospitals, our community hospital psychiatric treatment wards. We simply have been unable to attract permanent psychiatrists to staff them.

How do you staff additional facilities when you cannot adequately establish and staff the ones that are already there? You might recall the crisis that we went through at Grace Hospital prior to July 1. That problem was resolved temporarily, I will admit, to the benefit of Manitobans needing to access that facility.

### Brandon Air Pollution Burns Rendering Plant

**Hon. Edward Connery (Minister of Labour):** Mr. Speaker, last Friday, I took as notice the concerns of the Member for Brandon East (Mr. Leonard Evans) vis-a-vis the odours emanating from the rendering plant in that city.

I would like to let this House know that our department had been working on it from the beginning of the week. The concerns had been raised by my colleague, the Member for Brandon West (Mr. McCrae), at the beginning of the week, which gave a chance for the department to do some investigation.

I would like to indicate, at the outset, that this is not a new problem and is one which has been monitored on an ongoing basis by our department and for some time. There have been, however, a number of recent changes which require immediate attention.

First, I have directed our department to conduct further investigations of the air quality in Brandon, and these are taking place now. The most recent test conducted the week of July 25 indicated that the meat rendering facility is within their current licence. Nonetheless, increased activity at the plant and the number of complaints suggest a need to monitor the situation more carefully.

Second, I have referred the matter to the Clean Environment Commission. The commission will review the current operating licence, conduct public hearings and make recommendations, which I believe will assist in finding a solution to this long-standing problem.

### High School Review Report Release

**Mrs. Iva Yeo (Sturgeon Creek):** Mr. Speaker, my question is for the Minister of Education (Mr. Derkach).

In light of the fact that the High School Review was initiated in February 1986, with the intent that recommendations and plans of action would be presented by January 1988, and in light of questions I have received from parents, teachers and students with regard to such things as the possibility of Math 300 becoming a two-credit requirement similar to current English 300 requirements, and in light of questions asked in May of 1987 by the Member for Kirkfield Park with regard to unqualified students, and I quote, "wasting their time and money as well as the system's money in reference to university attendance," can the Minister of Education tell the House when we may expect to receive this long overdue report?

**Hon. Leonard Derkach (Minister of Education):** I thank the Member for that question. The High School Review Report certainly is overdue and has been for some time. I have been pressuring some of the people who are involved in putting together the review and getting the review finalized and into its final form.

I can indicate to the House at this time that the review will be ready in its final form before the end of

September. Originally, it was supposed to have been ready by June 30, but due to holidays, delays and that sort of thing, in terms of the committee that is making up the final report, some delays have been encountered and I have pursued the committee to make sure that that report will be available as soon as possible.

I might indicate also that we are concerned about what is going on in terms of standards in terms of the high school education in this province and, therefore, we are anxiously awaiting that review. As soon as that is available, it will be reviewed by myself as Minister and then we will make it public as soon as possible.

**Mrs. Yeo:** To the same Minister, during his response to the Speech from the Throne, the Minister indicated he had received a preliminary report from the review committee. Is the Minister of Education prepared to table that report today?

**Mr. Derkach:** The Member is quite right in that I had indicated that I have received a rough draft of the report and, as I indicated just now, as soon as the final draft is ready and I have reviewed that draft, I will table it, but unfortunately, I cannot table a rough draft that has been presented for my purview and, for that reason, I am not prepared to table it at this time. As soon as that final report is available, certainly, I will be happy to table it in this House.

\* (1355)

**Mrs. Yeo:** Again to the Minister of Education, when might school divisions, who are anxiously awaiting direction from the committee, expect to be required to implement the recommendations in the report?

**Mr. Derkach:** It would be very premature for me or anybody else in this kind of responsibility to take a look at the rough draft and then say to the school boards this is what you will implement. I do not think that is a prudent way of dealing with an important issue like the High School Review Report.

We have taken a lot of time in hearing people across the province. We have heard from school divisions, from parents, from students, from people who are interested in the education system, and I think it is important for us, as a department, to review very carefully what those people have had to say and what the final results of that report are. As soon as we have done that and are able to act on it, we will be sending directives to school divisions and that will be done probably following the tabling of that report in this House as well.

### Finance Dept. Independent Audit

**Mr. Gary Doer (Leader of the Second Opposition):** Mr. Speaker, I was quite surprised that the First Minister (Mr. Filmon) did not clarify the comments made by his Finance Minister (Mr. Manness) on the Department of Finance. The comments being made that an outside firm is more credible than the Department of Finance, I think is a very serious issue for the Premier, the Minister of Finance, and indeed all Manitobans.

I would ask the First Minister to clarify and put on the public record today that indeed the Department of Finance has to fear no credibility problem with any outside auditing firm.

**Hon. Gary Filmon (Premier):** Mr. Speaker, I will make it absolutely clear for the Leader of the N.D. Party if he is willing to listen. An independent firm is more credible when it comes to the finances of the Province of Manitoba than the former NDP Government. That is the case.

**Mr. Doer:** Mr. Speaker, it is nice cute rhetoric by the First Minister, but we are dealing with the credibility of a Deputy Minister that's renowned across this country; we are dealing with a department that is renowned across the country; and the comment is not about the New Democratic Party or the Liberal Party. The comment his Minister of Finance made—

**Mr. Speaker:** Question.

**Mr. Doer:** —was dealing with the "credibility of the numbers from the Department of Finance."

Would the First Minister please put on the record that the Department of Finance produces credible numbers at all times and does not have to fear for this issue in terms of its credibility with an outside, untendered audit?

**Mr. Filmon:** Mr. Speaker, I have no hesitation in confirming the credibility of the Deputy Minister of Finance and his ability to do an excellent job on behalf of the Government and the people of Manitoba. I spoke with him just as recently as this morning in which he told me he was very happy with the Budget process and the audit and everything that had been prepared in anticipation of the Budget that the Minister of Finance is going to be tabling within an hour.

The difficulty that we have had in this province has been that we had the NDP administration not putting forward credible numbers, not putting forward credible information, varying major pieces of the debt in ways in which it was not appropriate to do so. So we had to bring in an outside audit firm so that we could not be accused of our own judgment being placed upon it but have an outside independent audit firm.

In cooperation with, and with the full consultation and support of the Department of Finance and the Provincial Auditor, they have put together a package that I know is both credible, useful and excellent information upon which to judge the finances of our province.

**Mr. Doer:** Mr. Speaker, it took six questions for the First Minister—

**Mr. Speaker:** Question.

**Mr. Doer:** —to take the high road about the credibility of the Department of Finance.

My question is to the First Minister. Does he expect the public of Manitoba to believe that we can wait two-

and-a-half months after they are in office and have an untendered, secret selection process for an outside auditing firm to have any credibility . . . .

\* (1400)

**Mr. Filmon:** Mr. Speaker, if the Members opposite will just listen, let me tell them a couple of things.

Firstly, that firm was not being given the contract on a secret basis, it was on the front pages of the paper. Everybody knew who was given the contract. No. 2, that firm was judged by both the Provincial Department of Finance and the Auditor as being a firm that was totally capable of doing the job in a short period of time and that they were probably the people who were in the best position to get the job done in a very short time frame so that we would be ready with a Budget within less than three months of taking office. So that firm was given the work and at no time was the credibility of the Department of Finance at issue; it was the credibility of the former New Democratic administration that was at issue at all times with respect to the finances of our province.

### The Public Trustee's Office

**Mr. Paul Edwards (St. James):** My question is for the Honourable Attorney-General (Mr. McCrae).

Mr. Speaker, the new Mental Health Act became effective in this province March 1, 1988, and that Act greatly increased the responsibilities of the Mental Health Division of the Public Trustee of this province.

Given that an internal report completed in November of 1987 by the Research Branch of the Attorney-General's Department has apparently recommended increased staff for the Public Trustee's office, what plans does this Government have to give the Public Trustee the extra resources it greatly needs to meet its statutory mandate?

**Hon. James McCrae (Attorney-General):** Mr. Speaker, when I first arrived in this House and asked questions like that, I was told wait for the Budget. So that is my answer to the Honourable Member today.

**Mr. Edwards:** Again, for the Honourable Attorney-General, if he would bear with me and have listened to the question, it did not particularly have to do with the financial aspects in the Budget; it had to do with an internal report which was completed in November of 1987. In that regard, will the Honourable Attorney-General please tell this House if the internal report previously mentioned quantified what additional costs would be needed to give the Public Trustee the much needed additional staff that it needs?

**Mr. McCrae:** The Honourable Member would do well to take my advice when I suggest that he get involved in the process of the Estimates that will arise out of the Budget which will be delivered very, very soon by the Minister of Finance (Mr. Manness).

**Mr. Edwards:** If the answer is obviously going to be the same, there is no other answer, I guess, and that

is the answer that has come from that side many, many times—wait and see.

I am asking about an internal report that in fact had very specific recommendations. I would appreciate it if the Honourable Attorney-General would address those concerns.

**Mr. Speaker:** Order, please. The Honourable Member's question is repeating itself—a question which was previously asked.

### Elderly Abuse

**Mr. Paul Edwards (St. James):** My second supplementary again for the Honourable Attorney-General (Mr. McCrae), and I will try and stay on this theme, if I could get an answer.

The problem of abuse of the elderly in this province is an extreme critical one, one that was highlighted in the Public Trustee's Report recently tabled. Does the Honourable Attorney-General agree with Mr. Birt, the former Member for Fort Garry, when he urged the Government in this House on February 23, 1988, to recognize the importance of guaranteeing the rights of the elderly, and does the Honourable Attorney-General support giving the Public Trustee the resources to deal with this problem of abuse of the elderly which is critical in this province?

**Hon. James McCrae (Attorney-General):** I do not think you need to look back too far to recognize that there has been a recognition on the part of the Premier of this province and of this Government, recognition of the problems encountered by the elderly and particularly regarding elderly abuse. I have to hand it to the Premier of this province who I believe for the first time in the history of Manitoba has appointed a Minister responsible for Seniors in this province in the person of the Honourable Member for Rossmere (Mr. Neufeld).

We are quite attentive to the concerns raised regarding the elderly and in fact I believe it was two years ago, two-and-a-half years ago, that the Premier of this province, the Leader of the Opposition, as he then was, raised the matter of elderly abuse. So the Honourable Member would do well to watch where he is coming from in regard to that.

### Water and Sewer Upgrading

**Mr. John Plohman (Dauphin):** Mr. Speaker, my question is to the Minister of Agriculture (Mr. Findlay). Prior to the April 26 election, our Government had negotiated a \$60 million water and sewer agreement with the federal Government that would have seen major upgrading in a number of communities, major projects in Brandon, Portage, Selkirk, Morden and a water treatment plant for the Town of Dauphin. Unfortunately because the regional Minister for Manitoba, Jake Epp, was unable to deliver on those funds, that agreement was not signed.

My question to the Minister is since in view of the fact that the Western Diversification Fund has

announced that they will not fund that kind of agreement for water and sewer upgrading in this province, what specific action is this Minister and his Government taking to ensure that the federal Government lives up to its commitments as made under that agreement?

**Hon. Glen Findlay (Minister of Agriculture):** Mr. Speaker, I would like to inform the House that the Member's allegation that he had an agreement ready for signature is not true. They were purely in the discussion stage. At this point in time, there are very major discussions going on between the province and the federal Government to deal with a number of communities in the Province of Manitoba who have water and sewer problems, who have made requests to the Water Services Board for their problems to be addressed. But I can assure you that the Town of Dauphin has yet not made a formal request from the Water Services Board for their water treatment problem.

**Mr. Plohman:** Clearly a dispute over the facts is not a point of order, otherwise I would raise it. The fact is that there were negotiations that had come to a final stage. The point is an agreement had been reached.

I would ask the Minister of Agriculture (Mr. Findlay), in view of the fact that last week I had the privilege with the Minister of Agriculture and the Minister of Environment (Mr. Connery) of meeting with the Town of Dauphin mayor and a number of councillors on the issue of a water treatment plant—and the concern that they expressed—I would ask the Minister of Agriculture whether his Government, in the discussions that are now taking place with the federal Government, whether they are prepared to enter into agreements that would result in a similar situation as in Saskatchewan where 75 to 100 percent of the costs of major projects that cannot be funded by communities, whether these would be funded by senior levels of Government?

**Mr. Findlay:** Mr. Speaker, I can tell you at this stage as I earlier said that we are in the process of negotiation; but I would ask the Member to be sure that the Town of Dauphin puts a formal application to the Water Services Board, so their particular situation can be dealt with.

### Lake Dauphin Advisory Cttee

**Mr. John Plohman (Dauphin):** Mr. Speaker, with your indulgence, I have question, a separate question for the Minister of Natural Resources (Mr. Penner).

Over the last number of years, the condition of Lake Dauphin has been of concern to successive Governments. In 1984, the Water Commission released a report which made for a number of recommendations, including a lake advisory committee that would be set up. At the time of the last election, we were in the process of setting up that advisory committee. I ask the Minister of Natural Resources what is the status of that advisory committee at the present time and when will it hold its first meeting?

**Hon. Jack Penner (Minister of Natural Resources):** Mr. Speaker, I certainly want to thank the Honourable

Member for the opportunity to rise in this House and address that very issue. He should know—because he was part of the Government—the Government had refused for six years to deal with the issue. That is an ongoing issue that has been there for the last 10 or 15 years and they have refused to deal with it.

\* (1410)

The Honourable Member, if he would go back and assess, would know that he had had an opportunity to address that issue and appoint a committee. Now he expects this Government that has been in power for less than three months to have made all the decisions he and his Government neglected to make.

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

### Lake Rehabilitation Funding

**Mr. John Plohman (Dauphin):** Clearly, the Minister of Natural Resources (Mr. Penner) is avoiding the issue. My question is to the Minister of Natural Resources. During the last election the federal Government had made indications known that there was some \$30 million available for rehabilitation of a number of lakes in this province, including Dauphin Lake.

My question is to the Minister of Natural Resources: Even though that offer had not been made and that was incorrect information the federal politicians put forward, has this Minister of Natural Resources pursued federal funding for those lake rehabilitation projects in this province?

**Hon. Jack Penner (Minister of Natural Resources):** Again, there has been a need to address many, many water issues in this province. We have a very serious drought situation in this province right now and we know there are many communities that are in serious threat. If we should incur this kind of drought situation again next year, it would be imperative that those kinds of structures to retain water and increase the quality of our water should have been addressed many, many years ago. The former administration simply neglected to take on the responsibility of providing those kinds of facilities for us, and we are looking into it.

### Senior's Transport Service

**Mr. Bob Rose (St. Vital):** My question is to the Minister of Urban Affairs (Mr. Ducharme). I would first like to quote from the Tory election brochure that was endorsed by five candidates and later legitimized by this Government: "We pledge to keep the seniors transport service operating for one more year." The cost of operating the seniors transport service to June 30, 1989, would be \$167,000.00. The Minister has acknowledged this promise to the extent of only \$62,500 so far.

Could the Minister (Mr. Ducharme) tell this House when seniors transport may expect the balance, that being \$104,500.00?

**Hon. Gerald Ducharme (Minister of Urban Affairs):** I am glad the Member for St. Vital (Mr. Rose) has raised

this, so we can clarify for the record that this particular Government, when it took over office in May, had advanced to the senior transportation service a sum of \$62,500.00. It makes up the amount that the previous Government had added of \$12,500.00. Of the two previous years, each one of them was \$75,000.00.

Also to clarify for the record that in this particular program, the City of Winnipeg decided in their last budget to discontinue that particular program, of this particular program. In order to facilitate the seniors in this particular area and the seniors throughout Winnipeg and to advance an added type of transit service to everyone who cannot take the regular bus service, we advanced and did uphold our particular campaign promise.

**Mr. Rose:** To the same Minister, we acknowledge—and I wish if you cannot understand what I said that maybe you could perhaps read my lips—the promise was that you would support it for a full year.

**Mr. Speaker:** Does the Honourable Member have a question?

**An Honourable Member:** Where is the money?

**Mr. Rose:** I am sure this Minister should be aware that the seniors transport fund will dry up in December and that is the portion of the greatest need in this country. Could the Minister tell this House—he seems to have the information—how Handi-Transit will service the elderly when seniors transport collapses, and what percentage of the requests of the elderly for seniors transportation will result in service to those same people?

**Mr. Ducharme:** Mr. Speaker, also to clarify, the province, along with the City of Winnipeg, as a trial period to advance the existing service, has put in an additional \$200,000—to answer his question. The idea of that is so the service is to everyone in the City of Winnipeg. Also, I would like to remind the Member from the City of Winnipeg that he, along with city council, were the ones who discontinued that particular funding prior to—in fairness to the previous administration, it was their request to discontinue this particular service.

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

**Mr. Rose:** If this is going to be a 25-minute debate, we will save it for later on who did what, where and why. I would advise, if he has not already done so, that the Minister of Urban Affairs would check his facts with either the manager of Transit or at least the Mayor of the City of Winnipeg, and has he checked them so far?

**Mr. Ducharme:** Just to clarify, it was the request of the City of Winnipeg with Mr. Borland and the total administration of the Transit to fund this particular project. So not only do you advance the seniors, you advance all additional and also all handicapped people who cannot take the regular bus transportation.

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

## INTRODUCTION OF GUESTS

**Mr. Speaker:** With us this afternoon in the loge to my right is J. Frank Johnston who was the former Member for Sturgeon Creek. On behalf of all Honourable Members, I welcome you to the Legislature this afternoon.

## MATTER OF PRIVILEGE

**Mrs. Sharon Carstairs (Leader of the Opposition):** Mr. Speaker, I rise on a matter of privilege. On August 3 of last week, the Premier of this province said, "So let us put that on this table and recognize that our disagreements will be honest."

I do not think and I do not believe anyone in this House thinks that it is an honest agreement and an honest disagreement when the First Minister of this province steps outside of this House and makes comments about a man he never had the privilege to know and about whom he knows nothing, and whose appointment to the Upper Chamber resulted from years of service to his community and who is deceased and who is unable to defend himself, but he has a daughter in this Chamber who is able to defend him.

Our First Minister knows nothing about a young man born in Halifax who lost his father in the Halifax explosion and lost his mother a year later, and found himself as the substitute parent to nine siblings. He knows nothing about a young man who had to leave his university life in order to begin his work as a reporter and he knows nothing of his rise to become the editor of that paper, nor does he know anything about the death of his first wife in childbirth.

He knows nothing of his election in 1936, the first of six occasions, each time elected with a larger majority. He knows nothing of the convention of 1954 in which, according to the popular press, he was defeated only because he was a Roman Catholic. He knows nothing about his service in the Senate culminating in his report working with Senator David Croll on the Senate Committee on poverty at which point he suffered a massive stroke, one which left him paralyzed and without the ability to speak. He knows nothing about his gallant effort to regain his ability to walk and, indeed, regain the ability to speak, but without regrettably the same quality of voice that he formally exercised. He knows nothing about the 2,000 people who visited the funeral home and who said to me, when I asked why they were there, because it was quite obvious they did not know my father, that they were there because he had served their father or their mother or their grandfather.

\* (1420)

Premier John Buchanan, the Progressive Conservative Premier of Nova Scotia at the time of my father's death, said: "He was a distinguished Member of the Legislature who very ably represented his province in the Senate of Canada."

"From my own personal knowledge of Senator Connolly," added the Premier, "I was always impressed

by his love of Nova Scotia and his desire to do all he could for his province. During his years in public life, he earned the respect of all who knew him regardless of political persuasion."

Senator G.I. Smith, a former Premier of the province, also Conservative, said: "I believe that his contribution to the political life of Nova Scotia was of a very high quality, particularly in the field of the industrial and tourist growth of the province. From the time I first became a Member of the House of Assembly," said Senator Smith, "he became a friend for whom I had the highest respect and I deeply mourn his passing."

But perhaps an independent observer can best tell this House the image that I have of my father, published in the generally considered to be Conservative newspaper, the Halifax Daily Star, was the following editorial:

"The Honourable Harold Joseph Connolly's lifetime of service to his fellow Nova Scotians stands as an example of dedication and devotion to duty which can reap great rewards for the people they serve.

"As a crusading newspaperman in his earlier days, as a Member of our Legislature, a Cabinet Minister, Premier of the province and Member of the Senate of Canada, all of which span 60 years, he was a consistent advocate of social and economic change. His stewardship over the portfolio of Trade and Industry and Publicity was outstanding.

"He was the driving force in Government for the establishment of the International Tuna Tournament which brought anglers to Nova Scotia from many parts of the world. His vision of Nova Scotia as a tourist haven led to the establishment of many of the travel organizations which yet today are active in promoting the beauties of this province.

"Nor will his concern for health and welfare be forgotten. As the Minister of Health, he gave great leadership to the development of the Victoria General Hospital and other clinics and medical institutions which formed the foundation of today's efficient health sector.

"His interest in the Port of Halifax, the transportation problems of his province, and the support he gave the efforts to narrow the economic gap that exists between the Maritimes and the other parts of this country also gave rise to his splendid style of oratory in the Nova Scotia Legislature and at Ottawa where he served with such distinction as a Member of the Upper Chamber.

"It was in recognition of that service and his work in non-governmental fields, in church and community affairs that he was honoured by St. Mary's and St. Francis Xavier Universities and held in such high respect by Nova Scotians as a whole. While illness in the last few years robbed him of the energy and drive, it never dampened his spirit, nor did it prevent him from representing constituents in many ways, even though he was unable to travel to Ottawa to regularly attend sittings of the Senate.

"In many cases, his work in his latter years was performed with considerable pain and discomfort, bearing in mind his own health problems. Yet he

persisted, ever ready to contribute his service in whatever way he could for the betterment of those who sought his assistance. His death this week deprives his province of the service of one of its most outstanding sons and one of its leading legislators."

Mr. Speaker, I therefore move, seconded by the Honourable Member for Fort Rouge (Mr. Carr), that the First Minister apologize to the 6 children, 18 grandchildren and 4 great-grandchildren, members of the extended family, friends and associates of the late Senator, the Honourable Harold Joseph Connolly, for the inaccurate impression left by the Premier on the reasons for his appointment to the Upper Chamber.

**Mr. Speaker:** The Honourable Member for Concordia (Mr. Doer) with some brief remarks.

**Mr. Gary Doer (Leader of the Opposition):** Mr. Speaker, I, too, read the comments on the weekend alleged to be made by the First Minister (Mr. Filmon). We discussed it in our caucus. We were universally shocked at the comments, and we would share the sentiments of the Motion from the Leader of the Opposition (Mrs. Carstairs).

**Hon. Gary Filmon (Premier):** Mr. Speaker, I would rise, prior to your making any ruling on the matter, to say, firstly, that in order to ensure that absolutely no offence is taken, I would tender my sincerest apologies to the Leader of the Opposition (Mrs. Carstairs), to her family, her siblings, and the grandchildren of the late Senator Connolly.

I would say that I did not know her father personally, and I am sure that, had I known him, I would have shared her admiration and her affection for him and for the achievements that she has very aptly outlined in her dissertation here this afternoon.

\* (1430)

Mr. Speaker, I want it to be known to the Leader of the Opposition that all of those people who she has daily criticized for having been appointed by this Government to boards and commissions, although not nearly to the extent of her father in terms of service, in terms of achievements and all of those things, are individuals who have served and desired to serve their province and the people of Manitoba very, very well—who have, in their own right, made sacrifices. Many of the people who are being maligned by virtue of the suggestion of only being political appointees are people who have served, for instance, in this Chamber for 10 and 12 years, 15 years—sacrificed both financially, personally of their families to be of the service of this province.

I would say that to any in this House who make generalizations about appointments, saying that these are just simply political patronage appointments, do a disservice to the people who are involved because, indeed, everyone of them desires to serve their province and desires to serve the people of Manitoba.

I have erred, obviously, in pointing to an individual who, the Leader of the Opposition rightly says, is

someone who cannot defend himself. As well, of course, there are those people who are out there and live in the world of Manitoba and make their sacrifices, make their commitments and put in their efforts on behalf of better Government in this province, and they, too, are not in the public arena, able to stand up and defend themselves. So I withdraw any reference to that, and I apologize to the Leader of the Opposition and anyone who she has named.

I suggest that others who want to make political capital by making references such as that, to appointments of people by Governments, ought not to generalize because they are hurting real people as well.

**Mr. Speaker:** The Chair thanks all Honourable Members and I am sure the Honourable Member is pleased at the fact that the First Minister (Mr. Filmon) has withdrawn.

### INTRODUCTION OF GUESTS

**Mr. Speaker:** With us this afternoon, also, in the Speaker's gallery to my left, is Don Scott, the former Member for Inkster. On behalf of all Honourable Members, I welcome you to the Legislature here this afternoon.

With us also here this afternoon, in the loge to my right, is Honourable Brown, the former Member for Rhineland. On behalf of all Honourable Members, I welcome you to the Legislature this afternoon.

### ORDERS OF THE DAY

**Hon. James McCrae (Attorney-General):** Mr. Speaker, I think there would be agreement among all Members to recess the House for just a few moments before the Budget. Perhaps we could have the Bells ring around 2:30, 2:35, Mr. Speaker?

**Mr. Speaker:** Is it the will of the House to have the Bells ring about 2:35? (Agreed)

### (RECESS)

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

### MOTION presented.

\* (1440)

### BUDGET ADDRESS

**Hon. Clayton Manness (Minister of Finance):** Mr. Speaker, as I rise to present the first Budget of our Government, it is clear that Manitoba is at a crossroads, a turning point in our history. We are facing decisions that seriously affect our future prosperity and quality of life.

Manitoba is a province rich in opportunity. Our natural resources are the envy of the world: productive

farmland, vast tracts of forests, abundant mineral reserves, and mighty rivers.

We have Hydro, a blessing as we approach the 21st Century. Managed well, it will drive our economy, creating permanent jobs and investment.

We have attractive opportunities for long-term development. I see the day when our province will again be a leader in developing technology in areas as diverse as agriculture, health and aerospace.

As has been stated many times, we have enormous human resource potential, intelligent and energetic people who are eager to meet the challenges of the future. It becomes our obligation as Government to create the environment where these talents can prosper, where individuals can fulfill their dreams and provide for their own requirements.

However, for all its opportunities, Manitoba still has needs which must be met and problems which must be solved.

Our people are becoming increasingly aware that economic growth in recent years has relied upon an unsustainable level of public sector spending, which has left a legacy of high debt, high taxes and a growing burden of debt-service costs. This legacy threatens the public programs Manitobans want and Manitobans deserve. It also threatens the investment and job creation potential of our economy, which is essential to our continued prosperity.

The fiscal excesses of the past constrain efforts to stimulate growth and provide services. Scarce tax dollars used to pay interest on the province's debt to international lenders are not available to pay for health, education and other services in Manitoba.

On April 26, Manitobans voted for sound management to meet these challenges and to take full advantage of our province's potential.

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

Today's Budget outlines this Government's plans:

- \* to meet the challenges facing us in health care, education, and other social services;
- \* to encourage job creation and capital investment, and to speed the recovery of agriculture;
- \* to regain control of spiralling debt and interest costs;
- \* to improve management and accountability of Government departments, Crown corporations and agencies; and
- \* to make Manitoba's taxes competitive with other jurisdictions.

In short, this Budget helps Manitoba regain the eminence in Canada it once enjoyed.

We are now at a crossroads. Ahead lie new opportunities for all Manitobans. This Budget outlines the first steps that we propose on our journey together into the future.

Manitobans can take heart from this Budget. As promised during the election, there will be no increase in personal income taxes. There will be no increase in corporate taxation. A 6.7 percent increase in spending is proposed to maintain and expand important services and meet the real needs of Manitobans. Assistance is provided to help farmers cope with the drought. The first step is taken toward the elimination of provincial school taxes on farm land.

Fully two-thirds of program spending is allocated directly to priority health care, education, social assistance and community protection. More money will be invested in our essential highway system, the lifeline of rural Manitoba and our prime trading link to neighbouring provinces and states.

Limited tax increases are proposed on tobacco, on leaded gas and on mining profits.

Action is taken to deal with the punitive tax load facing business and industry. The payroll tax is eliminated for half the taxable employers in the province. An income tax holiday for new small business will encourage the formation and growth of new Manitoba enterprises.

For individuals, the full benefits of National Tax Reform, \$91 million in federal tax reduction and \$52 million in Manitoba income tax reductions, will be passed on to Manitobans. The previously planned 25 percent increase in motor vehicle registration fees will be rescinded.

The province's annual deficit has been reduced by more than one-third, to \$196 million. A significant start has been made on the critical task of managing the affairs of Government effectively and responsibly.

But, much remains to be done. An independent review of the province's books has recommended changes to the province's accounting policies in keeping with generally accepted public sector accounting principles. As a result, the recorded liabilities facing Manitoba taxpayers are adjusted to include an additional \$709 million, and the recorded financial assets are reduced by \$368 million—over a billion dollars in total.

Deficits, regardless of their size, continue to add to the debt facing taxpayers. We must strive to meet the demands for programs and services, and pay the costs of past borrowing from current revenue. We must build for the future rather than borrow from it.

Before going into the details of the Government's plans, I would like to discuss the economic context within which we must make our policy and management decisions.

The international economic expansion in the 1980s has been the longest in post-war history. Many observers expect more moderate economic growth in the years ahead.

Manitoba shared in the economic prosperity of the mid-1980s. However, Gross Domestic Product and

investment per capita remain well below national and western Canadian levels.

The gap widened last year as the province recorded virtually no growth in total capital investment, a slight downturn in private investment, and employment growth of less than 1 percent. Overall growth in real Gross Domestic Product totalled 3.1 percent compared with 4 percent in Canada.

\* (1450)

Earlier this year, forecasters predicted an increase in real GDP in Manitoba of 2.5 percent to 3 percent in 1988. However, as the impacts of the drought begin to be assessed, it appears that growth may be considerably lower, and possibly below 2 percent. This one factor points out the dominant position agriculture continues to hold in the Manitoba economy. Employment growth of under 1 percent appears probable. The unemployment rate is likely to be close to 7.5 percent.

Prospects for 1989 are encouraging, assuming the national expansion remains on track, and the return of more normal conditions in agriculture.

One in seven Manitoba jobs is dependent on international trade. Manitoba is a trading province and our business sector must have access to markets to expand and to create jobs. Given fair opportunity, Manitobans have the talent and the entrepreneurial ability to compete successfully throughout North America and, indeed, globally.

Studies of the impact of the Canada-U.S. Free Trade Agreement indicate cumulative positive effects amounting to 2 percent to 3 percent of Canadian GDP in the first five years. Manitoba's central location in the North American trading area means our businesses are well situated to take advantage of the new opportunities under the Free Trade Agreement. And that, in turn, means more investment and more jobs for Manitobans.

The multilateral trade negotiations, which are now gathering momentum, will be of major importance to Manitoba in improving international market access for agricultural products in particular. Canada's alliance with the U.S. through the Free Trade Agreement will place us in a better position to influence positively the resolution of international trade issues impacting on Manitoba.

Manitoba's long-term prospects are bright. We have the resources, the industries and the people to build a stronger, more dynamic economy which will meet the competition and profit from the challenges of the 1990s. There are opportunities in energy-intensive industries and in advanced-technology production which will revitalize our manufacturing sector. A reduction in world grain stocks is setting the stage for longer-term recovery and growth in agriculture and related industries. New mineral production is coming on stream.

Our Government is working with the federal Government to develop joint initiatives and new agreements to strengthen and diversify Manitoba's economy. Better management of provincial affairs and

sound fiscal planning will contribute to growth, development and wealth creation.

Mr. Speaker, sound fiscal planning must be based on an accurate accounting of the financial obligations facing Government. Manitobans have a right to receive a true and complete accounting of the fiscal circumstances facing the province, including an accurate valuation of debt ultimately carried by the taxpayer, and losses incurred in Crown corporations and agencies.

For that reason, during the election, a full-scale independent review of the financial position of the province, including foreign borrowing, was promised.

To fulfill that commitment, we have initiated a special three-phase project to improve financial reporting and accountability.

Phase one, undertaken by Stevenson Kellogg Ernst and Whinney, has now been completed.

The Review recommended accounting policy changes and related adjustments: to recognize losses when they occur; to record foreign currency gains and losses in the province's financial position on a more current basis; and to consolidate accounts related to general Government operations.

The Review identified specific adjustments to the Financial Statements of the province required to implement these recommendations. The recommended adjustments have been made and are reflected in the updated financial position of the Government. They include:

- \* Recognition of the province's total liabilities, including foreign exchange losses, and recognition that some financial assets are not recoverable at the value carried on the books, mean that the excess of liabilities over financial assets at March 31, 1988, was more than \$1 billion higher than under the former accounting system.
- \* The province's deficit for 1987-88 stands at \$311 million.
- \* The General Purpose Debt—financed by taxpayers—outstanding at March 31, 1988, is increased \$1.3 billion to reflect:
  - the consolidation of debt issued for general purposes, including debt through Manitoba Properties Inc.;
  - the inclusion of unrecoverable debt of and advances to Crown corporations and agencies; and
  - the valuation of debt issued in foreign currencies at the exchange rates in effect on March 31, 1988.

With these adjustments, General Purpose Debt totalled \$5.3 billion on March 31, 1988.

The recommendations in the Independent Review for a more complete and straightforward disclosure of

Government spending and net liabilities are reflected in the Preliminary Year-End Financial Statement for 1987-88, which I am tabling today, and in the province's spending plans for 1988-89. Year-over-year comparisons cited in this Budget are based on the Preliminary Actual results for 1987-88.

Last year, the province's spending totalled \$4.349 billion—\$161 million, or 3.8 percent, above the amount budgeted. The spending total includes \$75 million in extraordinary expenditure related to the Manitoba Public Insurance Corporation and Workers Compensation Board.

Revenue totalled \$4.038 billion—up \$265 million from the amount budgeted. Equalization receipts \$151 million above the Budget estimate, and personal income tax revenue \$107 million over Budget, accounted for most of the increase.

We believe responsible planning of the province's budgetary affairs must take the total financial situation into account.

Manitoba's spiralling debt poses a direct threat to our social and economic progress. It must be brought under control in order to maintain quality social services and to build a better Manitoba.

In March 1982, our General Purpose Debt was \$1.4 billion. At the end of the last fiscal year, it stood at \$5.3 billion. In a period of six years under the previous administration, the General Purpose Debt, which had accumulated over the first 112 years of our province's history, more than tripled. And this escalation occurred, in large part, during a period of economic growth and expansion.

The inevitable result of increasing debt is, of course, escalating interest payments. In 1981-82, the net costs of servicing General Purpose Debt amounted to \$114 million, or 5.2 percent, of total revenue. Today, those costs are \$545 million, including debt costs paid through Manitoba Properties Inc. This represents 12.5 percent of revenue. As I indicated earlier, interest paid in the money markets of the world is not available to provide good education, good health care and good roads in Manitoba.

During the past six years, General Purpose Debt tripled, interest costs quadrupled. Increasing shares of the tax dollar were needed to pay for borrowing. Less was available for programs Manitobans needed. Borrowing increased again and, inevitably, tax burdens escalated to among the highest levels in Canada for middle- and upper-income earners.

We are committed to regaining control of the debt and thereby the growth and interest costs. We are determined to reduce and eventually eliminate the province's annual deficit.

We believe this can be accomplished through better management, while protecting programs essential to meet the real needs of Manitobans.

The second and third phases of the Independent Review will help us move further toward that goal.

Mr. Speaker, when we assumed office on May 9, the fiscal year had already started. We carefully reviewed

the spending plans then in place and made some important changes.

We are determined to strengthen our economy, and to take action to meet the special needs of rural Manitobans beset with drought, and to protect our forests ravaged by fires.

We have ensured that there will be sufficient resources to provide high-quality health care, education and other social programs.

We have put in place new initiatives which begin to fulfil our election commitments. Among the most important of these is our effort to bring better management to Government by reducing waste and duplication and streamlining Government operations.

Manitobans recognize the contribution that positive and supportive Government can make to improving our economy, to enhancing investment opportunities and to creating more jobs.

The most serious economic challenge now facing Manitoba and Canada is the worst drought in half a century. Governments can and must respond with help for our farmers.

Reflecting the serious situation facing our farmers, the Agriculture Budget is up more than 50 percent from last year, to \$115 million.

Some \$18.3 million, including \$4.5 million in federal funds, are earmarked for emergency drought assistance. A further \$700,000 is included for drought proofing. These measures offer needed-immediate assistance and begin work on longer-term measures to protect farmers and rural communities from the effects of subsequent droughts.

We are also moving to fulfil our promise to work toward the elimination of provincial school taxes on farm land, with a commitment of \$12 million for the Education Tax Reduction Program for Farmers. The new program provides a 25 percent across-the-board reduction in the school taxes assessed on all farm land in the province. The provincial benefit will be paid at the time of property tax payment. Those who have already paid their property taxes will receive rebates from their municipalities. Land owned by financial institutions will not be eligible for benefits.

Transportation is the key to economic activity in our province. Without a high-quality road network, Manitoba businesses would face insurmountable obstacles in reaching new and serving existing markets.

We have, therefore, added \$7 million in new money for highway construction, to the amount proposed in the defeated Budget. Planned activities this year include:

- \* twinning of the Trans-Canada Highway through the Grand Valley west of Brandon; and
- \* survey and design work leading to an earlier completion of four lanes on Highway 75 from Winnipeg to the American border.

We are determined to stop the deterioration of our roads and highways and work toward needed improvement.

Services and initiatives supporting business development and tourism are also being integrated and streamlined under the new Department of Industry, Trade and Tourism.

The mandate of the new department will recognize the need for balanced economic growth throughout the province. To implement this mandate, a new Rural Economic Development Committee of Cabinet will be struck, supported by a departmental unit dedicated to this initiative.

As a major priority, the new department will undertake a wide-ranging review of options to improve access to investment capital for businesses in Manitoba. The review will include a thorough appraisal of alternatives, including a Manitoba Stock Savings Plan. It will also consider options to provide a more competitive environment for manufacturing in Manitoba. The initiatives we bring forward in 1989 will respond to the needs of Manitoba businesses, especially small- and intermediate-sized enterprises that form the backbone of the economy.

Tourism is also a major focus for the new department. Increased emphasis will be placed on tourism promotion and enhanced development of Manitoba attractions. To allow Manitoba tourism to begin to compete on an equal footing for its share in national and international markets, I am pleased to announce an immediate increase of \$1 million for a major new initiative in tourism marketing this year. As a further measure of assistance to the tourism and hospitality sector, liquor markups have not been and will not be applied to supplier cost increases this year. As well, we are fulfilling our commitment to maximize use of the Canada-Manitoba Tourism Agreement with an allocation of \$1.4 million.

\* (1500)

Mr. Speaker, Manitobans value their social and community programs. They want to know that these services will be secure not just in the short-term but also for future generations. A healthy economy provides the best guarantee for the future provision of health, education and social programs. Our economic initiatives, including tax changes I will announce shortly, will strengthen our economy.

This Budget allocates \$2.7 billion, up 7 percent to priority health, education and social services this year. We will maintain these programs for Manitobans.

In Health, \$1.5 billion is committed to maintain vital services, up 9.1 percent from last year. This total includes:

- \* \$760 million for hospitals and community health centres;
- \* \$263 million for medical services;
- \* \$181 million for personal care homes;
- \* \$45 million for home care;
- \* \$42 million for mental health services; and

- \* \$40 million for Pharmacare.

This Budget provides \$11.4 million more for medical services, and \$10.4 million more for hospitals—in large part, to pay the costs of contract settlements with doctors and nurses—which were not sufficiently provided for by the former Government.

The Health Budget also includes three important initiatives promised during the election:

- \* \$500,000 for the creation of a Health Advisory Network, comprising representatives from Government, health care professionals, administrators, unions and the public, with a mandate to hold public consultations and recommend a health care action plan for the 1990s which incorporates new and innovative approaches.
- \* \$100,000 for a badly needed new Youth Drug Abuse Program; and
- \* \$150,000 for Industrial Health Promotion.

Additional resources have also been provided to expand women's services at River House. This additional funding will ensure the continuation of this important residential facility for women seeking treatment.

This Budget includes important commitments to improve the range and quality of educational opportunities. The Education Budget, at \$792 million, is up 3.3 percent over last year. School divisions will also benefit from the accelerated remittance of school taxes. The Budget includes:

- \* \$686 million for primary and secondary education, \$473 million from general revenue and the balance from the Education Support Levy;
- \* \$184 million for universities; and
- \* \$78 million for other post-secondary, adult and continuing education programs.

The Education Budget includes funding for important initiatives promised during the election:

- \* \$11.1 million for independent schools—an increase of \$3.3 million, bringing support to 40 percent of the average per pupil grant received by public schools. This is a first step toward our commitment to provide funding of 50 percent of the public school per pupil grant.
- \* \$300,000 for a Task Force on Literacy. We are determined to take action to help those who cannot read or write, and to upgrade the skills of those who left school before Grade 9.
- \* \$4.9 million, including \$636,000 in new funding for the Distance Education Branch, to improve the delivery of courses for Manitobans in rural and remote areas.

- \* (1510)

The Budget for Community Services is up 9 percent, to \$195 million. Included are:

- \* \$65 million for social services; and
- \* \$124 million for child and family services.

Nearly \$36 million is budgeted for day care programs, a 23 percent increase. This funding will enable Manitoba to take advantage of federal funding and meet our commitments to increase the number of day care spaces and the range of options for parents seeking quality child care.

The Budget also includes increased funding to support the Child Protection Centre at the Health Sciences Centre in providing reliable clinical services and training related to the growing number of child abuse cases.

The Budget for Employment Services and Economic Security is up 5.6 percent, to \$267 million, including \$205 million for social allowance programs. This Budget provides \$2 million more for cost-sharing municipal assistance than the defeated Budget.

An additional \$1 million will be dedicated to a new pilot project to provide more skills and training to enhance social assistance recipients' employability. A further \$400,000 will be added to the Single Parent Job Access Program to help single parents on social assistance.

To keep our promise to Manitoba's seniors, a Seniors' Directorate will be established to give added focus and coordination to Government programs responding to senior citizens. The Directorate will report directly to the Minister responsible for Seniors (Mr. Neufeld).

The Budget for the Department of the Attorney General (Mr. McCrae), including Corrections, is up 4.2 percent to \$132 million. Resources are provided to fulfill a number of election commitments, including reconstituting an independent Law Reform Commission; reinstating RCMP services in rural Manitoba; and stopping the planned amalgamation of the Law Enforcement Review Agency with the Manitoba Police Commission. In addition, resources are being provided to finance the Inquiry into Native Justice and to support Community Crime Prevention.

Our relations with municipal Governments will be based on recognition and understanding of the important contribution they make to the quality of life throughout the province. We are determined to deal more openly with Manitoba's municipalities. We will consult before making major decisions and we will listen. In this spirit, I am pleased that a new schedule of school tax remittances is now being implemented. That schedule results from an intensive round of consultations.

Municipal Governments provide important services in a more effective manner than can be achieved through a centralized bureaucracy. Municipalities will, therefore, retain responsibility for administering short-term welfare. Uniform regulations will be developed to

ensure all Manitobans requiring this assistance are treated equitably.

Our Budget measures reflect our commitment to municipal Governments and the communities they serve. Support provided through the Departments of Municipal and Urban Affairs has been increased \$9 million, helping to provide services to local residents with less reliance upon property taxes. A new Urban Native Adjustment Strategy will be developed. Again, we plan to consult with Native organizations as well as local Government bodies and the federal Government.

Most importantly, for municipalities, this Budget rescinds the arbitrary cap placed on Provincial-Municipal Tax Sharing payments by the former Government. The commitment to tax sharing in the legislation will be honoured. This means that local Governments will receive \$47.1 million in tax-sharing payments this year, a \$7.1 million or 17.8 percent increase, and a share of growth in income tax revenues in years to come. In addition, municipalities will no longer be required to pay the municipal water tax.

We promised to maintain and protect important services, both today and in the future. This Budget delivers the needed resources to accomplish that today, and begins to take action to secure the fiscal and economic base of the province and our ability to pay for these programs in the future.

Work has also begun on streamlining Government operations, eliminating duplication and reducing overhead costs. This work will secure valuable savings this year and larger savings in the future.

As a first step, we reduced the size of Cabinet. This decision points the way toward logical consolidations of departmental operations to secure additional savings. The central Planning and Priorities Committee bureaucracy has been abolished.

The Jobs Fund Programs have been transferred to the departments responsible for program delivery, thereby ending unnecessary duplication.

The Manitoba Energy Authority, formerly financed by non-budgetary borrowing, will be included in the Budget for the Department of Energy and Mines. In this manner, spending by the Authority will be given the same careful scrutiny in the Legislature as that accorded other programs.

Departmental reorganization and consolidation will provide services more efficiently and effectively. In addition to the new amalgamated Industry, Trade and Tourism Department, Cooperative Development has been merged with Consumer and Corporate Affairs, and responsibility for Corrections has been transferred to the Attorney-General.

Together, these measures represent a significant start on improving accountability and efficiency in the delivery of Government programs. By providing greater clarity in the responsibilities of departments, the concerns of Manitobans can be met more effectively.

A number of improvements are also planned to make Crown corporations more responsible and accountable to the people of Manitoba. Comprehensive legislation

will be introduced to ensure an appropriate and effective structure for Crown corporation accountability. In this way, Manitobans can be assured that the Crowns are meeting the real needs of the province.

Additional action on both general Government operations and the Crowns will be taken following completion of the second and third phases of the Independent Review of the management of Government and Crown corporations.

Our Progressive Conservative Government is committed to creating a stable and competitive taxation regime in Manitoba. As a first step in meeting that commitment, I am pleased to announce that there will be no increase in personal income taxes during our first term in office.

For the first time in many years, tax reductions will exceed tax increases.

Our Government will, however, be proceeding with a small number of tax increases proposed in the former Budget.

- \* The tobacco tax will be increased 0.9 cent per cigarette effective September 12, 1988.
- \* The leaded gasoline surcharge will increase 0.9 cent per litre effective September 1, 1988.
- \* The aviation fuel tax rate will increase by 1 cent to 5.8 cent per litre effective September 1, 1988.

These measures will add \$8.4 million to revenue this year.

Most Manitobans recognize the importance of protecting the competitive position of the Manitoba mining industry and its ability to generate jobs and incomes for Manitobans. For this reason, we will not proceed with a number of measures previously proposed, including the so-called 7 percent refundable tax, the doubling of the mining claim lease tax, the reduction in the effective processing allowance tax from 10 percent to 8 percent and the termination of the Mining Community Reserve Fund.

\* (1520)

We are proceeding with a more limited set of mining tax increases. Specifically, the mining tax rate is increased to 20 percent from 18 percent and processing allowances greater than 10 percent of processing assets will no longer be permitted.

These changes are effective for the full 1988 year and will add \$21 million to revenue this year.

Members will recall that the 7 percent refundable tax had been proposed to correct unfairness in a federal-provincial formula for allocating corporate taxable income of mining companies among the provinces. However, the mining companies would still have to pay corporation income tax on the same income to other jurisdictions. In our view, the resulting double taxation on mining companies would be a major disincentive to increased mining activity in our province.

I am pleased, however, that the Mining Association has agreed to work with Manitoba and other jurisdictions to propose changes to the federal-provincial tax allocation rules. We are hopeful that solutions will be developed through this cooperative process.

I am also pleased to announce that the Manitoba Mining Association and the Manitoba Government will establish a joint task force to investigate and recommend cost-effective ways of enhancing mining and processing in Manitoba.

We are confident that this cooperative approach will be mutually beneficial to the mining industry and Manitobans.

As mentioned a moment ago, there will be no increase in personal income taxes. There will be no increases in retail sales taxes.

In fact, Manitobans will benefit from a \$52 million reduction in their provincial income taxes this year, as we move to ensure that the benefits of National Tax Reform are passed on in full to Manitobans. Manitoba taxpayers will also benefit from a \$91 million reduction in federal income taxes.

For example, typical families of four will receive the following federal and Manitoba income tax reductions:

- \* \$841 at \$25,000 in annual income;
- \* \$366 at \$35,000 in annual income; and
- \* \$197 at \$50,000.00.

In light of the improved financial situation of the province, we have decided not to proceed with the previously planned \$8 million, 25 percent increase in motor vehicle registration fees at this time.

We are committed to creating a more competitive environment to foster job creation through business investment and growth. Therefore, there will be no increase in corporation income taxes or capital taxes. The railway fuel tax will not be increased as proposed by the former Government.

Tax reductions will be provided to help small businesses.

Manitoba's payroll tax is a major disincentive to the creation of new jobs in Manitoba. Investors cringe when they hear Manitoba is only one of two jurisdictions in North America with a payroll tax.

During the election campaign, we promised to double the exemption under the payroll tax, effective January 1, 1989.

Today, I am especially pleased to announce that the payroll tax exemption will be tripled from \$100,000 to \$300,000 effective next January 1. Employers with payrolls between \$300,000 and \$600,000 will benefit from a reduction in their payroll taxes.

The payroll tax will be eliminated for 46 percent of currently taxable employers, and reduced for an additional 17 percent under this measure. Almost two-

thirds of currently taxable employers will benefit from payroll tax reductions.

We will also be introducing technical changes to exempt the trucking industry from the payroll tax on out-of-province activities.

Revenue will be reduced by \$3.9 million in the current fiscal year and an estimated \$23.3 million in 1989-90 as a result of these measures.

Our Government is keenly aware that the prosperity of our province depends on homegrown businesses. The future health of the Manitoba economy requires enterprising Manitobans, people with new products and new ideas, to start new businesses and to create new jobs.

We want to send a clear signal that our Government recognizes the importance of these people. The increased payroll tax exemption will remove a major disincentive for small and intermediate sized Manitoba enterprises. We want to stimulate entrepreneurship and increase business activity. Small business men and women are prepared to pay their fair share of taxes. We want to help them in the critical first few years of operation.

This afternoon, I take great pleasure in announcing a further initiative to encourage new small businesses. Businesses incorporated after August 8, 1988, and before January 1, 1991, will be eligible for a corporate income tax holiday in their first year of operation, and phased reductions over the next four years.

The ability to retain more earnings to invest and employ more people will generate more economic activity and more tax revenue in the longer term.

Finally, we will also undertake consultations with the business community in the area of regulatory reform. Specifically, the review will concentrate on improving business input into the design of regulations, and to finding ways to reduce red tape.

After a series of Budgets which imposed new taxes and increased old taxes, Manitoba people and businesses will be relieved that tax reductions outlined in this Budget outweigh increases by more than two to one.

Restoration of a competitive tax environment is fundamental to the rekindling of business and investor confidence, job creation and capital investment. The proposals in this Budget—keeping the lid on personal income taxes, rolling back some of the increases proposed in the defeated Budget, eliminating the payroll tax for half the taxable employers in Manitoba and the tax holiday for new small businesses—are important steps in that direction.

This Budget begins the process of regaining control of the province's finances.

Total budgetary expenditure is estimated at \$4.561 billion, up 6.7 percent from last year's actual spending before extraordinary expenditure. Revenue is estimated at \$4.365 billion, up 8.6 percent. As a result, the deficit, including both current and capital spending, is estimated at \$196 million, the lowest since 1980-81. Capital spending alone totals \$278 million.

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Total borrowing requirements amount to \$1.288 billion. This includes funding for the province's deficit, sinking fund allocations, non-budgetary capital requirements of Crown corporations and agencies, and refinancing of debt issues redeemed during the year.

The projected increase in the province's total debt is \$572 million, the smallest increase since 1982-83.

\* (1530)

Record mining revenues, and the full year effects of taxes imposed last year, boosted revenue growth this year. Without these special factors next year, revenue growth will slow significantly. Our future progress in reducing the deficit and stopping the growth in tax-supported debt will depend on controlling growth in spending.

During the election, we promised to introduce multi-year budgeting. In our budget for the next fiscal year, we will include an additional year's fiscal projection to help provide a more complete review of the context in which decisions must be made.

We cannot continue indefinitely with Government spending growth at two times the rate of inflation, as has been the case in recent years. My goal in 1989 will be to hold overall spending increases near the rate of inflation.

This has been an extraordinary year in the political life of Manitoba. When our Government assumed office just three months ago, there was much to be done. The province had to be put on a new course. Sound fiscal management had to be restored. Many aspects of Government operation had to be reviewed.

This Budget responds to those challenges. It ensures that spending meets the real needs of Manitobans, particularly in the vital areas of health and social services. It begins to rebuild an environment in this province which encourages investment and employment, an environment which allows creativity to flourish and our economy to grow. It incorporates the first results of a thorough, independent examination of how to improve the management of public resources and make Government work better.

Manitobans will soon begin to see the results of these initiatives. This Budget marks the directions which we must follow. It is a signpost to a future which, with hard work and honest effort, holds the promise of hope and integrity for all Manitobans.

I thank you.

**Mrs. Sharon Carstairs (Leader of the Opposition):** I move, seconded by the Honourable Member for Osborne (Mr. Alcock), that debate be adjourned.

**MOTION presented and carried.**

## MESSAGES

**Hon. Clayton Manness (Minister of Finance):** I have two messages from His Honour, the Lieutenant-Governor.

**Mr. Speaker:** The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, Estimates of sums required for the services of the province for Capital Expenditures, and recommends these Estimates to the Legislative Assembly.

Le lieutenant-gouverneur transmet à l'Assemblée législative du Manitoba, le budget des sommes relatives à l'immobilisation qui sont requises pour l'administration de la province et recommande ce budget à l'Assemblée législative.

The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, Estimates of sums required for the services of the province for the fiscal year ending the 31st of March, 1989, and recommends these Estimates to the Legislative Assembly.

Le lieutenant-gouverneur transmet à l'Assemblée législative du Manitoba, le budget des sommes requises pour couvrir les dépenses relatives à l'administration de la province pour l'année financière se terminant le 31 mars 1989 et recommande ce budget à l'Assemblée législative.

**Mr. Manness:** Mr. Speaker, I move, seconded by the Honourable Attorney-General (Mr. McCrae), that the said messages, together with the Estimates accompanying the same, be referred to the Committee of Supply.

**MOTION presented and carried.**

## TABLING OF REPORTS

**Hon. Clayton Manness (Minister of Finance):** Mr. Speaker, I wish to table at this time the Preliminary Financial Report for the year ended March 31, 1988.

Further, I wish to table a summary report of the Review of Government Accounting Policies and Financial Obligations to March 31, 1988, prepared by Stevenson Kellogg Ernst and Whinney, dated August 8, 1988.

**Hon. James McCrae (Government House Leader):** Mr. Speaker, I move, seconded by the Honourable Opposition House Leader (Mr. Alcock), that the House do now adjourn.

**MOTION presented and carried.**

**Mr. Speaker:** This House is now adjourned and stands adjourned until 1:30 p.m. tomorrow (Tuesday).