



Second Session - Thirty-Sixth Legislature

of the

**Legislative Assembly of Manitoba**

**DEBATES  
and  
PROCEEDINGS  
(Hansard)**

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Speaker*



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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Sixth Legislature**

**Members, Constituencies and Political Affiliation**

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BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
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LAMOUREUX, Kevin	Inkster	Lib.
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WOWCHUK, Rosann	Swan River	N.D.P.

## LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, May 30, 1996

The House met at 9 a.m.

### ORDERS OF THE DAY (Continued)

#### COMMITTEE OF SUPPLY (Concurrent Sections)

##### RURAL DEVELOPMENT

**Mr. Chairperson (Gerry McAlpine):** Will the Committee of Supply please come to order. This section of the Committee of Supply will be considering the Estimates of the Department of Rural Development. Does the honourable Minister of Rural Development have an opening statement?

**Hon. Leonard Derkach (Minister of Rural Development):** I certainly do, Mr. Chair. It is a pleasure for me to present the Estimates for the Department of Rural Development for the 1996-97 fiscal year, and I am particularly pleased to announce that, for the '96-97 funding year, appropriations for the department have been increased by 2.6 percent from \$48,743,200 to \$49,994,900.

I think this is very good news for rural Manitobans, and it is rural Manitobans that will benefit directly from the programs and services that the department will be able to deliver. However, I believe that rural Manitobans are primarily responsible for this good news, as well. After all, it is they who are working hard to strengthen their communities and to take their ideas and make something positive out of them.

As has been done in the past, Rural Development hopes to be able to give Manitobans the tools in order that they may continue to contribute to the renewal and the revival that we are witnessing province-wide.

Fiscal year '95-96 was a case in point during which time rural Manitoba continued to grow, and I would like to briefly review for you some of the achievements. For Local Government Services Division, the last fiscal year was an extremely busy one. The final report of the Municipal Act review was completed last June, and since that time the department has been working very hard to

prepare the new legislation. The new act will also introduce a new beginning in municipal governance throughout Manitoba. After more than a hundred years, Manitoba's municipalities will have a new set of guidelines to help administrators and elected officials meet the challenges of running local government.

The new legislation, when introduced, will give local government more autonomy, as well as more flexibility. They will be able to make decisions that work best for their local constituents but within a framework that provides uniformity province-wide. At the same time, the new act will make local governments even more accountable to the people of Manitoba by including provisions for more open, accessible government.

The credit for the improvements to the act largely belongs to the thousands of Manitobans who attended some 26 public meetings and who participated in close to 3,000 oral and written presentations and who basically, through their input, provided the framework upon which new legislation could be crafted.

Additionally, I think it is worthy to note that since the review began in 1993, the process has been completed on time and well within budget. I am pleased to say that the new act was in response to calls from both the Union of Manitoba Municipalities and the Manitoba Association of Urban Municipalities and others who have been urging government to make changes for over 15 years.

Other activities of the division have been focused on amending or fine tuning existing legislation to provide clarity to assist local government in carrying out its duties. For example, amendments recently announced to the reassessment process will help municipalities to stabilize and streamline their property assessment and tax collection activities. This will be achieved by changing property tax assessment from a three-year to a four-year cycle.

While the groundwork for the new Municipal Act and property assessment changes was laid during the past fiscal year, the benefits of all this hard work will begin to be repaid in the coming year and also in subsequent years.

Local Government Services Division also provided assistance to municipalities prior to last October's municipal elections. Staff assisted the Manitoba Association of Urban Municipalities in developing a video series on municipal government and staff, and staff also travelled throughout the province to hold a series of information sessions for officials. I think this was an extremely positive part of municipal elections because it allowed those people who normally took a fairly inactive role in municipal politics to become more aware of what municipal politics was also about and also to become more involved in the process. We think that because of the video we had more competition, if you like, in local elections in the last round.

Similarly, with the Economic Development Services division, much effort went into building existing programs and introducing some new initiatives to continue to build on the progress that has been made to date. For example, the Community Works Loan Program that was announced by our Premier the Honourable Gary Filmon in the spring of 1995 is a case in point.

After the announcement by the Premier, I had the pleasure of announcing the details of the program last fall to community and business leaders. The program is designed to give communities a direct role and financial stake in sustaining their economic future. It will allow communities to capitalize small business start-ups, home-based and other small ventures, which will in turn help to create new jobs. The province, through Rural Development, will provide an interest-free loan of up to \$50,000 to participating communities which will be required to contribute \$25,000. Here again, while the program was announced in the fiscal year 1995-96, we are confident that it will really begin to blossom in the current fiscal year.

It is common knowledge that small business is the engine that helps to drive our economy. This is particularly true in Manitoba where much of our economy is reliant on the success of small businesses, and the Community Works Loan Program is certainly a substantial improvement for the climate for small business in our province.

Meanwhile, the department's other economic initiatives continue to benefit rural Manitobans in '95-96. The Grow Bonds program now has 19 projects with four new

projects being announced in 1995-96. Included in these were RCS Greenhouses of Waskada which raised \$280,000 to grow tomatoes year round; Dyck Forages and Grasses Ltd. of Elie which raised \$390,000 to assist it to produce forage seeds for export markets; Sterling Press of Selkirk which received its second Grow Bond of \$135,000 to allow it to undertake a second expansion; and Westman Plastics of Dauphin which received \$250,000 to expand its plastics product line.

All told, the Grow Bonds program has raised over \$7 million, leveraging an added investment of more than \$21 million. In the mean time, Grow Bond projects will create an estimated 450 jobs.

The Rural Economic Development Initiative or REDI has helped to create 1,300 jobs in rural Manitoba. REDI contributions of \$21 million have generated more than \$170 million of new investment

Youth programs continue to benefit our rural youth in 1995-96, as well. Green Team and Partners with Youth to date have created over 3,000 jobs since these programs began in 1992. In addition to a long standing agreement with Junior Achievement of Manitoba to deliver business and entrepreneurial programs to rural Manitoba school students, last year we also announced support for a company program to enable high school students to live the experience of starting and running their own small business. These were the programs and initiatives upon which we continued to build during the last fiscal year, and they will help set the course for the coming fiscal year, as well.

There were also other notable changes last fiscal year, and one of them is sure to dominate the change in the future direction and actions taken by my department, as well as others like Agriculture. That change occurred when we saw the close of the freight rate subsidy that farmers had enjoyed in Manitoba for so long. The end of the Crow rate ended an era of low-cost transportation for western Canadians. However, as one door closes, another one opens. Rural Manitobans have an opportunity to capitalize by finding more end uses right here in our province for the crops that they grow, as well as look for alternative crops, and it is happening today. I think if you look at the types of crops that are going into the ground this spring, you will find a greater variety of crops that are being grown to provide the farm greater

diversification and to capitalize on the markets that are out there. Certainly, prices are a big factor in that, as well.

In anticipation last year, Rural Development was pleased to participate in a Working for Value Task Force which travelled to 26 communities around our province during February and March to enlist the ideas of rural Manitobans about adapting and diversifying for our future. It is the goal of the government to expand the range of value-added exports by \$1 million over the next 10 years. Notably, Rural Development will have a vital role to play in ensuring the goal is met.

\* (0910)

One of the ways in which we will be able to assist rural Manitobans is through the Food Development Centre, and I know many of you may have been recently on a tour to visit the Food Development Centre. If you have not, I would certainly encourage you to take the opportunity when you are in Portage to visit the Food Development Centre. Our department took over the responsibility for the Food Development Centre, formerly known as the National Agri-Food Technology Centre, which is located, as you know, in Portage la Prairie.

As of April 1, the food technology centre has become a special operating agency to offer a cost-effective means for our province's agricultural industry to carry out product research and product development. With its experienced staff and technological resources, the centre will have the ability to support Manitoba businesses in their efforts to expand agri-food processing initiatives province-wide. The Food Development Centre will be able to contribute to the creation of new jobs and investment in Manitoba.

At Rural Development we believe that if we give rural Manitobans the tools, they will build the economy. Time and time again we see examples of how this is happening. For example, through the Community Choices program, communities continue to utilize a true grassroots approach in developing their communities. Today, there are approximately 71 Community Round Tables encompassing more than 120 municipalities that are actively addressing local economic and community issues. A total of 59 of these communities have developed vision statements which will set their course

for future growth and development on a priority basis as determined by community members. To quote Oliver Wendell Holmes: The great thing is the world is not so much where we are, but in what direction we are moving.

I think that is so true in rural Manitoba today. The events of the past year do indeed indicate that rural Manitoba is moving forward on both the economic development side and on the local government services front.

At Rural Development, our intent is to stay the course, to continue with the initiatives begun in the last fiscal year and to continue to partner with our government departments, associations and Manitobans in general who look for a brighter future for the province and for their community. Indeed partnering has and will continue to play a very significant role in operating our department for the coming year. The Community Works Loan program, which I discussed earlier, is truly a partnership involving the province and Manitoba rural communities, and to date five communities have established Community Development Corporations and are applying for lender status under the program. We anticipate a number more will be approved in this fiscal year.

Another example of partnering for the benefit of rural Manitoba was the agreement the province was able to reach with Centra Gas as part of the Infrastructure Works Agreement to deliver natural gas services to a number of our rural communities. These communities will now be experiencing the benefits of this major undertaking, and I know that many of you are aware of the communities that have now been receiving the gas services.

We have another series of communities coming forward today, as a matter of fact, requesting natural gas services.

Swan River, as you know, is one community that was identified as probably the first candidate in the original round but because there were some problems in getting gas to the border from Saskatchewan and because there were some internal problems in the community, that was not accomplished, but we are certainly looking to working with that community in the future to make sure that that community does indeed receive this service because it is a larger community in rural Manitoba.

In addition, our department has also worked with Industry, Trade and Tourism to help launch a number of

new initiatives, and I would like to mention the Manitoba signage program that will help promote Manitoba's growing tourism industry. A Manitoba business expansion program will complete the gap in funding working capital for expanding businesses in Manitoba, and we are participating in that. Rural Development is also pleased to say that we support this kind of initiative because it will serve to benefit small businesses, not only in the city of Winnipeg but also in rural Manitoba, as well.

I think one of the more successful events that we held this year was the Rural Forum, where we joined with I, T and T, Manitoba Agriculture and various departments in our government, along with the chambers of commerce to put on the Rural Forum. I think many of you noticed how many sponsors there were, and they certainly were long in number, but I think that Forum is really a success because of rural Manitoba's participation.

It is not necessarily what departments in government do, rather it is what Manitobans did by coming together, displaying their businesses, displaying what they produce in rural Manitoba, and it was really impressive. I know the member for Interlake (Mr. Clif Evans) was there throughout the course, and I know he had an opportunity to look at the many wonderful displays that were there. There were over 300 displays and over 10,000 people crossed the gates to participate in the Rural Forum. That is more than double what it was in 1994-95, because then I think we had about 3,500 people, and people are still talking about it. I am still receiving notes from people about the Rural Forum and about the positive experiences they had.

What was also encouraging was we have now included the city of Winnipeg in Rural Forum. One of the participants at Rural Forum was the Fort Garry Hotel, who were just absolutely amazed at the response they received by being a displayer at the Rural Forum. There were others, as well, who commented very positively on the forum. So that is certainly a feather in the hat for rural Manitobans, and I think you will see that the forum will continue to grow as time goes on.

One of the events of the forum, I have to point out, was Junior Achievement's business game. This one-day business game was the first in Canada, you might say, and it was the first time that Junior Achievement had put

on a one-day business game. There were over 300 Junior Achievement participants at the forum, and I think that number is correct, or it could be larger. I know we were talking up to 400, but I will be conservative and say there were 300 for sure.

Those students were busy all day in the business game. When I walked into the room there was a hum in the room but everybody was on task, everybody was paying attention, and the highlight was after the business game was over, of course, the winners were announced. They were presented some prizes and then some of the winners also participated in the evening banquet.

In addition to that, they were joined by the Youth Business Institute game that was held in Brandon at the same time, and the winners from that game also were there. I believe it was St. John's Ravenscourt that took first prize. Second prize went to Swan River Collegiate. Both second and third prize went to Swan River Collegiate, who have participated in this program a long time, but there were other smaller high schools that did very well, as well. So it was not size necessarily that made you win, but it was the interest of students, and true to their creative and entrepreneurial spirits that made this a very successful event.

Mr. Chairman, with those few remarks I would have to say that we have had a very successful year in Rural Development and I would like to, at this time, thank my deputy minister and his staff for the stewardship they have provided to the administrative side of the department, because they have given beyond the call of duty.

If anybody was around during Forum '96, they saw people working morning, noon and night, into the wee hours of the morning, certainly not something that is expected from working people. They worked on weekends, on Sundays, and if anybody was around during the Winter Cities—we also participated in that event, and those who attended that event saw my staff were all dressed in the appropriate attire for the display area. Their spouses came out and participated, as well, which was really encouraging. I have to say that I am very proud of the staff that I have at Rural Development and the work they have done for Manitobans.

**An Honourable Member:** Thank God you have good staff.

**Mr. Derkach:** Thank God I have a good staff, that is true. With those remarks, Mr. Chairman, I conclude my opening remarks. Thank you very much.

**Mr. Chairperson:** I would like to thank the Minister of Rural Development for those comments. Does the official opposition critic, the member for Interlake have some opening remarks?

**Mr. Clif Evans (Interlake):** Mr. Chairman, it is a pleasure to deal with our '96-97 Rural Development expenditures and Estimates. It has also been somewhat of a pleasure to have been the Rural Development critic over the past few years, probably because it has made my job a lot easier as a critic with a department such as Rural Development and its importance.

I know that certainly we on our side of the House, and myself as critic and a rural member, support many of the initiatives that Rural Development has and certainly do encourage the department and the minister to encourage the future of rural development and the economic future of rural development.

Especially now with what is going on in this province, I think Rural Development is becoming and is going to become a much more important player in the role of government, in the role of our rural settings, and I say this before I continue on a positive note. I say this on a negative note. I say this because I fear that some of the issues going on right now in other departments within this government are going to greatly affect rural Manitobans, with infrastructure, with privatization, with many of the things that this government has brought about to Manitobans, which is certainly going to affect rural Manitobans, I think, perhaps more than the urban settings.

\* (0920)

I wonder at times, knowing rural development and the future of rural areas, our small communities, why the Rural Development department is being put in the position, I think, to have to deal with maintaining the economic future of rural Manitoba, when some of the other departments and some of the other ministers are bringing in initiatives that are going to, in my mind, put back certain areas of rural development and certain rural communities.

I know that with Highways, the communities, the municipal elected officials, are disappointed, upset and dismayed with this government as to offloading the provincial highways onto them. I think it is going to be a great burden on rural Manitobans. It is going to force our local politicians to increase taxes to them, to the communities. It is going to force them to expend and spend much more money than they have got to do the necessary work for their rural communities, and I do not believe that that is a positive. I know it is not a positive because I have been told it is not a positive. I am not hearing anything positive about the way the government, in fact, is offloading some of its responsibilities onto our rural people. The costs are going to rise continuously to our communities, and it is going to make it more difficult for our rural people to be able to get involved and perhaps do the things that this department is providing or has the ability to provide for them.

You cannot continue improving something if you have not got anything there to improve with and, if the government as a whole continues in the way that they are going in the other departments, it is going to make it so much more difficult for the Department of Rural Development, I feel, to be able to provide and attempt to increase its benefits, its positive ideas.

Yes, there are good ideas out there. Yes, the small communities want to get involved, and we have seen that, but it is going to make it more difficult. I say this also to sort of encourage and enforce my support for the department to work with the department and the minister to, hopefully, be able to provide even better and further, easier services for our rural communities and our northern communities who are basically going to be put back, I feel. It may not show now, this year or next year, but it will show eventually, and I think it is going to put a tremendous burden on our rural areas.

I am pleased to see the attempts that this minister and his department are making to provide the economic benefits and futures for our rural areas. I look forward, of course, to debating and discussing the new act when it is presented in the falltime when we do debate with it. I have had only small concerns raised with me, those being from the LGDs, and I think the minister is aware of that. We will be asking him what his department is doing to accommodate the LGDs.

I am pleased about the certain programs, the availability of the programs that the department has. It is nice to see that there are jobs being created, but if I go back to the negative side of my remarks I am afraid that we are going to be needing a lot more than 1,300 and 450 jobs in rural Manitoba to be able to maintain rural Manitoba. I just hope that we can do whatever is necessary to continue to provide our rural people with the best possible ideas, best positive issues that we can bring to them so that they can deal with the other negative things that I feel are going to again, I say, put them back, some communities many years perhaps.

I am pleased with some of the programs that the department has for small businesses, and I feel that this is another part of rural Manitoba that needs a boost, quite a boost. Being a small-business man myself in the past years I know how important it is to have a vital and vibrant economic future for an area because small businesses depend on that. I do want to make comments on the Rural Forum and the participation. I feel it is one of the initiatives that this department has brought in that is a very positive initiative.

The Rural Forum was a tremendous success from what I saw and from what I have heard. I know that some of my communities were involved in it, and it was very nice to see many of the young people who came and participated in the Rural Forum presenting their ideas and that, but it is like—I made comment when the minister made his announcement about it in the House, the part of it is listening to the people, to the young people.

That is the opportunity through, I believe, the Rural Forum and through Rural Development, that we have the opportunity to listen to the people of rural Manitoba, what is needed, how it is needed, what can be done, what can they do, how can the government and Rural Development get involved, and I think it is important that Rural Development listen, but also that the government listen.

On the negative side, as I made mention, it is nice to see one department making an effort to listen to Manitobans young and old, seniors, whoever, but to do what is required or to try and achieve what the people of rural Manitoba are saying is needed is another thing.

I feel that perhaps there would not be such a large amount of dismay if they knew in rural Manitoba that our

infrastructure was not going to be destroyed, higher tax, cuts to education, cuts to the highway department, privatization. So now we have to listen to rural Manitobans because it is very important, and what is going to come about, I am not sure, but I know that I will certainly, as a rural member, and as member of the opposition, do whatever I can to make this minister and his department aware of the problems in rural Manitoba that come to me.

I hope that we will work to achieving the economic future that he has talked about for our rural communities, and we have to do it in a broader scale. We cannot pinpoint. We have to get people; we have to get initiatives; we have to get small businesses going; we have to get jobs in other areas of rural Manitoba, not in just pinpoint areas; and we have to do this, perhaps with natural gas. The minister knows that I have been a proponent and a big supporter of natural gas in rural areas. In my constituency and others surrounding me, there is now an initiative that is being proposed to the communities and the LGDs and the municipalities to form a co-operative together to try and bring natural gas up to the northern areas, rural northern area, and that is a positive. That is part of what it will be to get our rural communities going.

We have to, and I say this, and I do not think, looking back, that I have ever said this before, we have to stop looking only as far as a certain line. We have to forget about it. We have to remember that Manitoba is a large province with many small communities, not just south of the northern Perimeter.

\* (0930)

So I hope that over the year we will be able to achieve some of these goals. I hope that the communities themselves get involved more, come to the minister, come to this department, and I would like the minister at times, and I encourage him because he will get support from me, to talk, perhaps at times, to his colleagues in cabinet and point out to them some of the things that are happening in rural Manitoba because of some of the initiatives that the government is bringing in, how it will affect rural Manitobans.

I think, and I hope, that the minister feels the same way as I do about that. That is what I am hearing from

mayors and reeves, councillors, and people that everything is not wonderful, but it can be as long as we get support from everybody in government.

I encourage the support that Rural Development and this minister and this department and staff are providing. Also, I would like to say that I also appreciate very much the efforts by his department and his staff over the past two or three years that I have been critic, and that I have enjoyed working with them and they are always available, and also put on record that perhaps some of my colleagues might want to come to me with an issue so that, if they have a problem in Rural Development, we would be able to work together with it.

So, again, I look forward to the year and look forward to completing the Estimates as quickly as possible.

**Mr. Chairperson:** I thank the critic of the official opposition for those remarks. Under the Manitoba practice, debate of Minister's Salary is traditionally the last item considered for the Estimates of the department. Accordingly, we shall defer consideration of this item and now proceed with the consideration of the next line.

Before we do that, we invite the minister's staff to join us at the table and indeed ask the minister to please introduce his staff to us.

**Mr. Derkach:** Mr. Chair, I will just wait for them to come forward, and then I will introduce them.

We have at the table, Mr. Chairman, my deputy minister, Mr. Winston Hodgins; in addition, Mr. Brian Johnston, who is the director of finance in our department.

**Mr. Chairperson:** We thank the honourable minister for that.

We will now proceed to line 13.1 Administration (b) Executive Support (1) Salaries and Employee Benefits \$408,400—pass; (2) Other Expenditures \$78,000—pass.

13.1.(c) Brandon Office (1) Salaries and Employee Benefits \$167,400.

**Mr. Clif Evans:** I see there have not been many changes in the Brandon office as far as staff years. Expenditures pretty well stayed the same. Can the minister just tell us,

in the Brandon office, how much work comes through the Brandon office? How much does the staff there take on as far as Rural Development, REDI, Grow Bonds, et cetera?

**Mr. Derkach:** Mr. Chairman, the Brandon office is our Westman cabinet office. It does not only serve my department; we administer the office from my department. However, the office is basically meant to serve the Westman area in terms of cabinet ministers' needs over there. It provides a location for cabinet ministers to hold functions and meetings in the Westman area. It also gives us a point of contact between the Westman Region and government. The office itself, it provides information regarding government programs and access to contact people to people in the Westman area, and it is a liaison office for the government, as well.

So I think it has served a very good purpose. We also have one in Thompson, however, that one serves the needs of northern Manitoba. So the idea, I think, is a good one. We are trying to keep the costs down as much as possible in that office and run it with—I think you would have to agree, it is run on a bare-bones budget, and basically the people there do very good work for us.

**Mr. Clif Evans:** Mr. Chairman, the minister has indicated that there is a small office in Thompson, one or two staff—[interjection] Two staff. Would the minister also perhaps consider providing these resources in a more central area in the province, so that, let us say, besides the northern communities that have Thompson that they can deal with, now we are talking more on the central, not the southern and the western? Is there a possibility that the department might consider providing such a resource in central Manitoba?

**Mr. Derkach:** What the government has done is it has tried to provide access to people who are remote from the city of Winnipeg, and that is why the two offices, one in Thompson and one in Brandon. There has been no discussion about any further expansion of those offices because they are costly, and I have not personally heard a request from people in that area.

As I said, we try to locate offices where, you know, people are fairly remote in terms of access to the city of Winnipeg. I think the central area has greater access to Winnipeg than does, say, the extreme western side or the northern part of the province.

**Mr. Clif Evans:** Mr. Chairman, it is just a thought, and I, too, have not had many requests for such a resource to be provided, but that has been a thought and an idea bantered about at some meetings where we have a fairly substantial population base as far as many communities together. Perhaps we, the minister and I, can discuss that at another time and also perhaps discuss it during the rural UMM meetings and see if it is logical to do. So I thank the minister for that.

**Mr. Chairperson:** Item 13.1. Administration and Finance (c) Brandon Office (1) Salaries and Employee Benefits \$167,400—pass; (2) Other Expenditures \$53,400—pass.

Item 13.1.(d) Human Resource Management (1) Salaries and Employee Benefits \$114,100—pass; (2) Other Expenditures \$20,900—pass.

Item 13.1.(e) Financial and Administrative Services (1) Salaries and Employee Benefits \$246,800—pass; (2) Other Expenditures \$197,500—pass.

Item 13.2. Boards \$638,400 (a) Municipal Board (1) Salaries and Employee Benefits \$404,100.

**Mr. Clif Evans:** Mr. Chairman, I have a few questions on the Municipal Board. Can the minister indicate some of the issues that the board has had to deal with in the past year and if there are any difficulties that have come up before the Municipal Board that should be brought forward?

**Mr. Derkach:** Mr. Chair, the Municipal Board deals with assessment appeals to a large extent, also zoning appeals and those kinds of issues.

In the 1995 year, a total of 477 new appeals were filed, and the Municipal Board in total disposed of 559 appeals including those that were on the backlog list, if you like. A large portion of the backlog is with the city of Winnipeg appeals. They go back to, I guess, prior years, and for one reason or another the appellants have not been prepared to come forward and deal with those. They have been postponed from time to time.

We are trying through the amendments to The Assessment Act to put some, I guess, reasonable limitations on how appeals are handled and how they are allowed, because at the present time just anybody can appeal

anyone else's property, and that creates a lot of unnecessary work for Boards of Revision and even the Municipal Board.

But, by and large, we believe the Municipal Board has functioned well. They are constantly trying to reduce the backlog. I think, as of 1996, the backlog in rural Manitoba, and this is as of April, was 160, so I guess that is not all that bad, but we would like to see that even less. In the city of Winnipeg there were 395 appeals outstanding as of April 18, and they go back to 1993 and prior to that, as well.

\* (0940)

**Mr. Clif Evans:** Please correct me here if I am wrong. The full-time chairman has been in place now for a year?

**Mr. Derkach:** Yes, Mr. Chair, the present chairperson of the board is Mr. Bob Smellie, and he has been in place now for about a year, I believe.

**Mr. Clif Evans:** The board, seeing that you have 25 members of the board itself, they are from all over Manitoba. The chair is the one that basically goes to all the different areas that have to be heard for Municipal Board issues, and the other members come from the areas surrounding where the meetings might be. Is that how it works?

**Mr. Derkach:** Mr. Chairman, the role of the chair of the Municipal Board is to organize the work and the Municipal Board hearings. He selects the panels that will hear issues. In normal hearings there are three panellists who will listen to the hearings. The panel will not necessarily be chaired by the chairman of the Municipal Board. It may be chaired by someone who has been designated as a chair of a panel.

We also have a vice-chair who is Mr. Don Pratt from Brandon. As a matter of fact, he was the acting chair when we were doing the search for a new chairperson. So, basically, the issues are dealt with by panels who are selected from the list of Municipal Board appointees. The panels then sit and hear the cases and make their judgments, but it is not the same panel for each case. We try to utilize the appointees from all over the province. Sometimes it is difficult when you have long distances for them to travel. So we try to utilize people that do not have so much travelling to do, but that is all handled by

the chair. It is not something that my deputy or I get involved in.

**Mr. Clif Evans:** Does the board sit, if you call it that, as per requests of number of cases that may be brought, or is it regular scheduled sittings of the board in certain areas to address the situations or issues in those areas?

(Mr. Jack Penner, Acting Chairperson, in the chair)

**Mr. Derkach:** The panels are set up throughout the month, and I had an opportunity to discuss with the chair of the board their schedule for the month. There is a hearing scheduled almost every day of the month, at some point, in the province or somewhere in the province.

The role of the staff of the Municipal Board is to ensure that there is a staff present at these panels, that the minutes are recorded, that the panel or the hearing has been set up properly, and notification is given to people who want to make representation.

So it is a quasi-judicial kind of process that takes place. Some of their cases are appealed to them directly. Others come from the minister's office, where someone has perhaps objected to a by-law or a zoning amendment, and instead of the minister getting involved in the decision, that is then forwarded to the Municipal Board, and they dispose of the case.

**The Acting Chairperson (Mr. Penner):** Item 13.2. Boards (a) Municipal Board (1) Salaries and Employee Benefits \$404,100—pass; (2) Other Expenditures \$193,300—pass.

13.2.(b) Surface Rights Board (1) Salaries and Employee Benefits.

**Mr. Clif Evans:** I stop at this line, seeing that there is proposed legislation that has been presented. I also notice that there are no staff members as such involved with this board. So, basically, the Rural Development department just provides financial resource for the board members of the Surface Rights Board to deal with issues between oil companies, landowners or occupants.

How often does this board have to meet, and, specifically, besides adjudicating problems, what else would this board be responsible for?

**Mr. Derkach:** Mr. Chair, this board's responsibility is to deal with issues between landowners and oil companies. When the oil patch was not active, the board did not have to deal with many cases, and the board sits only when there are cases that have to be dealt with.

There is staff provided for the board through the Department of Rural Development. Mr. Bill Hildebrand performs the duties of secretary to the board, and his staff here is in the Local Government Support Services, but the board does have a responsibility to settle issues between landowners and oil companies.

They also bring recommendations to the minister with regard to changes that should take place in The Surface Rights Act, and that is how we have arrived at the amendment that is before the House at the present time. The other thing that they do is keep informed as to what is happening in other jurisdictions, because we are trying to bring in as much consistency as we possibly can throughout the three prairie provinces, if you like, with respect to how we deal with issues between landowners and oil companies so that if an oil company comes to Manitoba from Alberta, for that matter, they understand the process because we are trying to make the processes as similar as possible between the jurisdictions.

Additionally, I might say that they have provincial meetings, and our board does participate in those.

**The Acting Chairperson (Mr. Penner):** 13.2.(b) Surface Rights Board (1) Salaries and Employee Benefits \$25,600—pass; (2) Other Expenditures \$15,400—pass.

Resolution 13.2: RESOLVED that there be granted to Her Majesty a sum not exceeding \$638,400, Rural Development, Boards, for the fiscal year ending the 31st day of March, 1997.

Item 13.3. Corporate Planning and Business Development (a) Salaries and Employee Benefits \$652,200—pass; (b) Other Expenditures \$81,200—pass.

Resolution 13.3: RESOLVED that there be granted to Her Majesty a sum not exceeding \$733,400 for Rural Development, Corporate Planning and Business Development, for the fiscal year ending the 31st day of March, 1997.

**Mr. Derkach:** I thought it might be appropriate to introduce Mr. Ed Sawatzky who is in the provincial planning department. He is the co-ordinator in the provincial planning department. He is the gentleman who deals with some of the complex planning issues that arise from time to time throughout the province, and a good man he is, absolutely.

\* (0950)

**Mr. Clif Evans:** Mr. Chairman, I wonder if the minister and the committee would give me leave to request that we deal—because there are certain items in 13.4 and 13.5 that I would like to discuss with the minister, but I would like to go to 13.6, if he would give us leave to deal with item 13.6. That is Rural Economic Programs.

**Mr. Derkach:** If we are going to deal with that section, as long as we deal with it and pass it, so that we are not dealing with it now and then coming back to it.

**Mr. Clif Evans:** Yes, Mr. Chair, I would appreciate that and will concur that if we are going to jump to 13.6, deal with it, we will accordingly pass it after we have dealt with it instead of going back and forth.

**The Acting Chairperson (Mr. Penner):** Is there agreement of the committee? [agreed]

We will proceed then to item 13.6 Rural Economic Programs (a) Grow Bonds Program (1) Salaries and Employee Benefits.

**Mr. Clif Evans:** Mr. Chairman, as indicated here, the Grow Bonds program was established in 1991, and the minister had indicated in his earlier address that there are now 19 Grow Bond issues in place, and they have created upwards of 450 jobs.

Now, we also know that last year there were some changes made to the act. Some amendments were made to the act, Grow Bonds issues. Can the minister indicate to me—he said that there were 19 with four being put in place from '95-96.

Are there any applications for Grow Bonds issues that are in the works right now, and what are they?

**Mr. Derkach:** Mr. Chair, I cannot give you the names of the companies. I think it would be premature for us to

divulge the names of the companies which are looking at Grow Bonds at this time, but I can tell you, there are about 11 or 12 companies, along with their communities, who are looking at Grow Bond projects at this time.

They are what I would call active files at this time, and they are at various stages. Some are more advanced than others. Others are doing their financial plans. Others have completed their business plans. So there are various stages that these projects are in, but there are 11 or 12 that are active and will be coming forward at some point in time.

(Mr. Chairperson in the Chair)

**Mr. Clif Evans:** Can the minister take us through the steps that ABC company has to take for a Grow Bond issue, and where lies the responsibility of approving the final issue, and what are the steps that ABC company has to go through to get a Grow Bond issue?

**Mr. Derkach:** Mr. Chair, it is not as complex as one would sometimes believe, because, first of all, there has to be a need by a company for funding a particular project. The company then applies to one of our local Grow Bond officers by first of all exploring the possibility of that company fitting into a Grow Bonds program.

We have certain criteria that have been set down for a company to participate in a Grow Bonds program, and then there are certain conditions that have to be met if a company is going to, in fact, participate. Those involve such things as doing the appropriate business plan. It probably begins with a feasibility study, then moves on to a financial and a business plan, and then, of course, we have to establish a local Grow Bond committee which takes the responsibility of ensuring that they are the drivers of the Grow Bonds program rather than the department taking the lead in it, because these are, after all, supposed to be community-based and community-spearheaded, if you like, activities.

After the Grow Bond corporation is formed and the financial plan is in place, then approval is sought for a Grow Bond. Depending on what size it might be, it will always come before government for approval. When that approval has been given, the company then can proceed with selling their Grow Bond. During that period of

time, certain activities will take place. Not everything is on hold until such time that the Grow Bond is given approval, because if the Grow Bond is denied, it is well known that the company will have to seek its funding elsewhere, and that is always made known at the very beginning.

So a company can start proceeding with construction on the assumption that they are going to get the Grow Bond. They have to know that if the Grow Bond is denied, then they are going to have to seek funding elsewhere, but we work with them as much as possible. We try to involve the communities as much as possible, remembering that this is a new program and that communities are not necessarily astute in terms of how they are supposed to respond.

A lot of the people who are on the Grow Bond committees are there because they have a genuine interest in their community. They are not necessarily financial wizards who come to the table because of their financial skills. They are there because of their genuine interest in the community and wanting to see their community grow.

**Mr. Clif Evans:** Mr. Chairman, how many Grow Bond issues, since the program has been established, how many have failed?

**Mr. Derkach:** We have one company that has failed since the program began, and I think that happened last year. There was a company that was from Morris, Manitoba. That company—well, I guess we could name it. It was Mass Technologies from Morris. A variety of reasons why the company went down. We worked very hard to try and save the company. There were times when there were people who were interested in taking over the company who came forward. However, there have to be two willing partners if you are going to have an agreement sometimes, and that just was not possible, and in the end the company did go down.

**Mr. Clif Evans:** Mr. Chairman, are prospectuses for the Grow Bond issues that companies put forward, are they public knowledge? Can they be obtained by the general public?

**Mr. Derkach:** Well, before anybody would invest in a company, they would want to know what this company is all about, so, therefore, those kinds of documents have to

be made available to ensure that if you, for example, want to invest \$10,000 in this company, you will want to know certain things about it. You will want to know how much equity, perhaps, is present in the company, and, you know, the stability and the future outlook, the markets and that sort of thing. Those are all made available as much as possible to the people who are investing through the Grow Bond corporation.

\* (1000)

**Mr. Clif Evans:** Mr. Chairman, they are made available to those who may want to invest. They are also made available to the minister, of course?

**Mr. Derkach:** Absolutely. I should note that staff from my department work in conjunction with staff from the Department of I, T and T in their financial management division. Instead of duplicating that kind of service in our department, we work with the staff in I, T and T to do the due diligence. So those documents are all made available to us.

**Mr. Clif Evans:** Then, at request, the prospectus would be made available on any of the companies that have Grow Bond issues from the minister's department directly to myself, if I request it?

**Mr. Derkach:** My understanding is that if, in fact, an individual requests that kind of information through the Grow Bond corporation—they do not request it through my office. That would have to go through the Grow Bond corporation in that local community to get that kind of information.

**Mr. Tim Sale (Crescentwood):** Maybe just to finish that line of questioning up, it seems to me it cannot be both ways. Either it is public or it is not public, and if they are public documents, then, presumably, one does not have to apply for them. They are simply available. Prospectuses that have been issued by the Manitoba Securities Commission or by any company, once they are public, they are public.

**Mr. Derkach:** Mr. Chairman, they very much are a public document, but practice has been that those kinds of documents have been available through the local bond corporations, rather than people writing to me to get that kind of information.

**Mr. Sale:** Mr. Chairperson, the Manitoba Securities Commission rules are very clear in this regard, that once a prospectus is public, it is available from a securities commission. There is a file in the securities commission that you can go and examine. Is the same true of the Grow Bonds office, that there is a file on whatever company, company A that has received a Grow Bond? Can a member of the public go to the office and say, please, I would like to see the prospectus for a company and be shown it, and if he wishes, or she wishes, be given a copy?

**Mr. Derkach:** I believe that is the case, Mr. Chairman. I have never checked myself with the Securities Commission, but I would think that is the case.

**Mr. Sale:** I was asking about the Grow Bonds office, Mr. Chairperson. Would, for example, if we asked for a copy of the prospectus of Crocus Foods in Portage la Prairie, could we receive that prospectus without any delay, and presumably in the same way we would if we walked into the Securities Commission office and asked to get a copy of the prospectus?

**Mr. Derkach:** Well, Mr. Chairman, because they are public documents, if you chose to go through the Grow Bond office, absolutely.

**Mr. Sale:** I thank the minister for that response. I am simply trying to clarify his earlier response in which he said that the prospectus would be available through the Grow Bonds corporation for, say in this case, Crocus Foods. Now the minister is saying that it would be—

**Mr. Chairperson:** The honourable Minister of Rural Development.

**Mr. Sale:** I am sorry, I still have the floor, I believe.

**Mr. Derkach:** Just for clarification, no, but—

**Mr. Chairperson:** Order, please. Does the honourable member for Crescentwood wish a clarification on your remark to the committee?

**Mr. Sale:** Thank you Mr. Chairperson. I would be glad to have a clarification.

**Mr. Derkach:** Mr. Chairman, when I said that those are available through the Grow Bond corporations, and I said

that because most of the time that kind of information is desired by people from the community who want to invest in the issue, and because they are from the community it makes sense that that information would be available at the community level, rather than going to the Grow Bond office. But if somebody outside the area, for example, the member for Crescentwood who may wish to examine those documents, would go to the Grow Bond office, we would make them available because they are public documents.

**Mr. Sale:** I appreciate the clarification. I want to ask the minister whether there has been, or have been any changes or—well, let me use the term changes—in the procedures of issuing or supervising Grow Bonds and Grow Bond corporations as a result of the difficulties encountered by Woodstone Foods, now Woodstone technologies?

**Mr. Derkach:** Mr. Chairman, yes, to the member for Crescentwood, this is a relatively new program in Manitoba, and so there have been some changes since the beginning of the program. Last year, my department asked for the Provincial Auditor to do an audit of our program, just to ensure that our processes were correct, and if there were any deficiencies that we, in fact, knew what they were and could address them. The Provincial Auditor did respond with some recommendations. Those recommendations are currently being implemented to try and improve, if you like, the processes so that they are more effective and efficient, and so indeed all of the information is available, and I guess, in the future, there will be other changes that will be necessary as we go along.

The member referenced Woodstone Foods. Department staff have been working very, very hard with the company to try and restructure it. We have been working with financial institutions to try and restructure the company so that it does have a future. There are 35 people employed in the company from the Portage area. Those are important incomes for those people, and I think we acknowledged right from the very beginning when it became known that the company had financial difficulties that there was a restructuring that was required.

I can tell you that staff have worked extremely diligently to find every possible opportunity to allow this company to survive. I might also say that financial

institutions have been very co-operative in trying to also find a way to restructure this company, because they see this company as being a very viable operation. They see it as filling a need in the marketplace, and the product that is being produced is one that there is a demand for.

**Mr. Sale:** I appreciate the background the minister gave, but he did not answer the question I asked, which is, as a result of difficulties encountered with the Grow Bond corporation for Woodstone, which I am prepared to detail if the minister wishes, have there been any changes in the way the Grow Bond office supervises the remaining Grow Bonds?

Have there been any tightening up of procedures? Have there been any changes to the requirement for annual meetings and the sharing of information with the Grow Bond holders? Has there been any increased supervision or more frequent review of financial statements of Grow Bond companies? Have any procedures changed?

\* (1010)

**Mr. Derkach:** Mr. Chairman, as a result of the Provincial Auditor's recommendations, we have implemented certain changes with regard to procedure on the administration of Grow Bonds and that sort of thing. It did not come from the experience at Woodstone, though. The member says, because of the problems at Woodstone. We know that there are a variety of issues at Woodstone that have to be addressed, but Woodstone is just one project. There are 19 in total that we are dealing with, but the processes that we are changing are as a result of the Provincial Auditor's recommendations that have been made to the department.

**Mr. Sale:** Could the minister tell the committee the current legal status of Woodstone, the numbers of people that have been called back to work and are actually working in the plant, and whether the plant is producing product of the kind that was envisaged?

**Mr. Derkach:** Mr. Chairman, the company started operation again on April 29, and has rehired 29 people in total. Twenty-one of those are in Portage la Prairie and the other eight are in the city of Winnipeg here and since that time have been working on restructuring their internal organization so that they can achieve success in terms of long-term viability and operation.

**Mr. Sale:** Can the minister confirm that the engineer who was hired to attempt to make the plant function effectively has quit?

**Mr. Derkach:** Mr. Chairman, we know there is a new engineer that has been brought on with Woodstone, but we are not aware of somebody quitting recently, so that is something I am not aware of.

**Mr. Sale:** Mr. Chairperson, I think that an engineer from a Saskatchewan firm was brought on and apparently has indicated that he no longer wishes to be associated with the company within the last three or four days. The minister may wish to check that out.

I want to ask what level of due diligence is done on bonds, given the fact that there is quite an amazing contradiction in the prospectus for Woodstone, which shows specifically that there was an inventory on January 31, 1993, of 2.4 million, and December 31, one month earlier, there was an inventory of 3.4 million. They certainly did not sell \$1 million worth of product in a month.

The two statements, one from the Auditor and one from the company, unaudited, have major differences in them, and it has always puzzled me how the company could include two such different statements in the prospectus without some kind of note or some kind of at least questioning on the part of staff as to whether these two statements reflected the same reality.

**Mr. Derkach:** Mr. Chair, I cannot get into the specific details of a particular company and answer questions in detail. However, let me say in the general sense, that the due diligence, which the question was about, that is done on each of these projects is done not simply by staff within my department, but our Grow Bond staff in addition to people from the departments of Industry, Trade and Tourism, and Finance, all participate in the due-diligence process.

That process is a fairly comprehensive one, and once we receive the information from our staff that, in fact, all of the due diligence has been done, and there are certain criteria that have to be followed, we will either proceed with or reject the project. Now, in the case of Woodstone we have referred the case of Woodstone to the Auditor to look at. The response from the Auditor is not in, and

until such time that that is in I will ask the member to be patient, and we will certainly provide that as soon as the Auditor's report is in.

**Mr. Sale:** Mr. Chairperson, I understand the minister's concern and I respect it. The point of the question is not being unhappy with the company. I support the notion that we have Grow Bonds. I support the program. I think it is a useful program, and I think that in the main it has gone quite well. What I am concerned about is that my understanding is that there is really only one senior person in the Grow Bonds office, that some of the criticisms that were made in the Auditor's report and I have had passed to me by individual people who are concerned about their application is that the staff is overloaded, that they do not have the support they need to get the job done in a timely fashion. That was certainly one of the issues raised by the Auditor, and it has been raised with me by companies.

I think we have an example here in Woodstone of a situation where a fairly complex company with a lot of international linkages required a level of due diligence and scrutiny which perhaps the staff were not able to provide, not because they are incompetent or because they were not willing or for any—no reflection on the staff, but a reflection on the resources of a program that the minister himself has indicated is a growing program and is a relatively new program in the sense that it is still on a learning curve. I am glad it is still on a learning curve. That is a good thing; it is not a bad thing. But I want to ask the minister if he could reflect on the adequacy of the staff and resources assigned to this program to do the kind of due diligence that is necessary in a complex situation.

I would just add one more item to this for the minister's consideration, that it appears it was well known even as long as a year and a half ago that this company had a long list of creditors, including a company such as Canada Messenger, which is holding some 750,000 pounds which the Woodstone company values at more than \$1 a pound but is, in fact, landfill for all intents and purposes. That company was holding that product against unpaid warehousing charges. There were unpaid bills in the town of Portage la Prairie at the time of the issue of the Grow Bond. There were products frozen and held for some significant period of time at Versacold in Winnipeg.

The product for which the company really applied, because it was such a leading-edge product, Lighten Up—it is a fat replacer—in fact, it has had almost no market at all in spite of what is stated in the Grow Bond. There have been virtually no sales of Lighten Up at all. There may, in fact, have been a few samples sold, but, at best, perhaps \$10,000 to \$20,000 of Lighten Up sales over the whole period of time, and a fair amount of that product, Mr. Chairperson, has rotted and is essentially landfill, as well.

Now, these are issues which various people had awareness of at the time or very shortly after the time of the approval of the Grow Bond. The information was available, but it was ignored at the time. Again, I am not finding fault with staff, but I think you have a program which is very complex, which is understaffed and which is not providing or may not be able to provide the kind of supervision and due diligence.

\* (1020)

I just note in closing on the Woodstone case, I do not know whether this is typical, but the annual meeting of the Grow Bond corporation for Woodstone did not provide audited annual statements to bondholders. Bondholders received their interest cheque with a letter from Mr. Mullen, president or general manager of the company, and no financial operating information whatsoever about that company, simply a very positive letter from its office manager saying everything is wonderful, but no data at all.

I do not know whether that is typical of other Grow Bonds that have been issued or not. Perhaps Woodstone was the aberration, that information was not provided to all the bondholders in a timely manner.

So I want to conclude my questions just by asking the minister if he could inquire of his staff how many Grow Bond companies, Grow Bond corporations, are in arrears by any amount of time, whether it is a week or a month or more than a month in payment of interest on their bonds.

**Mr. Derkach:** Mr. Chair, the member has made a number of statements that one could take issue with, but I, first of all, would like to address the question of adequacy of due diligence on the part of this department and on the part of government, and I simply reject what

the member says with regard to the due diligence process that is done.

As I indicated to the member, not only does the staff from my department do the due diligence, but, indeed, we participate co-operatively with staff in other departments who have financial management resources to do that. In cases where we have to bring outside consultants in to help us in certain cases, we have the availability to be able to do that, as well.

If I could go back to what the Auditor says in his conclusions after, and it was on this department's request that the Provincial Auditor was brought in. It was not as though we were sitting back and waiting for someone to find something. We wanted to make sure that as the program was growing, that, indeed, we were following appropriate processes in the program, and the first concluding sentence that the Auditor says, based on our findings we conclude that the approval process is satisfactory, but the Provincial Auditor does note that there were some information types of issues that had to be addressed, and those are being addressed. We have brought on staff to deal with those issues.

When you talk about a specific case, Grow Bonds is not a bank program. Anybody who can walk into a bank and borrow money to start up a program means that that company has a lot of assets to be able to borrow money, so the companies that we participate with are companies that have a bright future, we think, and have potential but, yes, some of them will go down and some of them will be failures. I think it is unfair to say there are shortcomings in the way staff approach this. It is not done by me as a minister or by any of my colleagues in terms of the due diligence that is done, but we try to follow every process possible to ensure that the information is, first of all, available to us before our decision is made and we go into a decision having a fair understanding that there is potential in this company, that if, in fact, there are some shortcomings that those are addressed.

At the time of the approval of the Grow Bond for Portage, I might say to the member that not only were we comfortable that this company had a future and there was potential with the product, but everyone who was associated with the Grow Bond corporation felt the same

way, as well, because there was not a negative, if you like, attitude towards Woodstone at that time when that Grow Bond was approved. The corporation itself was very supportive.

Now, the people who invested in the Grow Bond were people who simply were looking for an opportunity to invest and to receive a dividend on their money, and I think so far no money has been lost in that regard. Everyone who invested in the company also understood that if the company did not survive, their principal would be guaranteed, but the interest would be lost. To date, that has not happened in the case of Woodstone, and, as a matter of fact, it is operating again. Are we over the hump? Not at all. There are still many challenges out there in front of us with regard to Woodstone, and I have to tell you that staff like the director of our Grow Bonds Program, Mr. Paul Sweatman, who is at the table, have been working very, very hard to find every possible way to allow that company to succeed.

When you talk about the product Lighten Up, and its potential in the marketplace, I am no expert, but I am told, and this is a discussion that occurred with the financial institutions, even they are comfortable that there is potential and there is market availability for this product.

So, yes, there may be problems out there. I would not go so far as to say that Lighten Up is a landfill product. There are products out there that are landfill products. They have sold some inventory to bring up their requirements to start operating again, so there must be some value in the products they are selling, and I am no expert in that regard.

But we will do everything we can to allow us to make sure that our processes are right. That is why we have brought in the Provincial Auditor at this time to ensure that we do follow appropriate processes and that we give every opportunity for a company that is having difficulty to survive and to have a future, regardless of who operates that company.

**Mr. Sale:** Mr. Chairperson, the minister answered in part. He did not answer the last part which was the question of how many Grow Bond recipient companies are currently in arrears.

**Mr. Derkach:** We have at the present time three Grow Bond projects that are in arrears in the province, and once again the staff of the department are working with these companies to make sure they are brought up to current status with regard to their interest payments on the bonds.

**Mr. Sale:** Crocus, Woodstone and what is the other one?

**Mr. Derkach:** Gilbert International is in arrears at this time.

**Mr. Clif Evans:** Mr. Chairman, I would like to continue with the Grow Bond line. The minister had indicated that Crocus is also in arrears, Crocus Foods out of Portage, and can the minister indicate what steps the department is taking to deal with the issue at present?

To follow up on the question, the minister had indicated that Crocus Foods was also one that was in arrears and some sort of difficulty. What is the minister's department doing with the Crocus Foods issue?

**Mr. Derkach:** Well, Mr. Chairman, I want to take a bit of a broader perspective in terms of looking at how our Grow Bond projects are functioning. You know that each one of these projects is one that has a potential. The important aspects of these programs, or projects are that they employ people, and in the case of Crocus, we know that the number of people that are employed there, about 25 people employed, recently their activity has increased, their business activity has increased and they have hired an additional three people onto staff to bring it up to 25.

\* (1030)

Now that means that the company is in a growth mode. Does it mean that the company is instantly profitable? I think that requires some time, and as cash flows, I guess, go up and down, the company experiences difficulties from time to time, and for that reason I guess sometimes interest payments are not met on time, at least initially, and we work with the company to ensure that those interest payments are addressed and that they are met.

With Crocus Foods, it is not a case of a company not being viable or having a future. As a matter of fact, they have some very, very attractive contracts, especially when

you look at the contract with McDonald's and I believe it is with Mr. Sub, Mr. Submarine?

**An Honourable Member:** Subway.

**Mr. Derkach:** Subway, I am sorry, and there are other potential customers that are being developed right now. So the company does have a future, and there is potential there, but we have to be patient and work with them to get them over these difficult periods of time.

If we come down hard on these companies and try to close them down the minute that they go into arrears with something like an interest payment on a Grow Bond, I can tell you that we will have companies falling all over the place, because it is not just businesses, and the member has been in business and understands that you have to go and live through these difficult periods of time, and we have to hold the hands of these business people as they go through these difficult times and look towards the brighter future, and they do have a bright future. There is no question.

In the case of Crocus Foods, there is a future there. There is no question about that. It is just a matter of living through this period of time as they approach profitability, and they will be very profitable in the next month or two. So those kinds of issues will be behind them.

But we are very watchful of these companies, and I guess I could at the same time talk about a company the member would be very familiar with, and that is Gilbert International which that company too has gone through a period of trials and tribulations, if you like, but today there are some 38 people employed at that company who are finding a future in the community. The company is growing.

Is it out of the woods? No, I would say that there are still issues that have to be addressed, and we will work with that company again, bringing in partners when necessary, working out challenges and finding the opportunities where they exist.

So there are three companies that are in arrears today, but I think that those companies do have a future if we are patient and work with them. If, in the end, any one of them should happen to become nonviable, then we would

have to take the appropriate steps to ensure that the bondholders are paid out, and that is to protect the integrity of the program and to ensure that the company is closed down in a respectable way, but we are not there to try and close down anybody or run them out of business at this time.

**Mr. Clif Evans:** Staying with Crocus Foods, it states in the Daily Graphic of Friday, May 17, 1996, a motion was passed, and a letter was sent. Basically it says that legal action is imminent by one or more of the parties, and I would assume that would be parties that are not being paid for whatever reason in some way, and yet the minister indicates that within a couple of months, Crocus Foods will be viable. We do not want to see any company, whether it be through the Grow Bond issue or through any other program or through the financial institutions, but I wonder out loud, and being in business, do not some of these businesses that come to the government for a Grow Bond issue and to the public, are they not aware what kind of business plan do they have that they have to be put in a position that they are now?

I will get to Gilbert down the line here when I deal with Crocus, and basically then we are also talking that there is supposed to be a meeting, bondholders have been invited to attend the corporation's annual meeting June 19. I am asking from what I am reading and also from what I have heard in the past two or three days that there is concern in Portage among the bondholders. What is the minister's response to that, and how are we going to get this settled?

**Mr. Derkach:** Well, first of all, contrary to the letter that was sent by Mr. Munro, I do not know of any imminent legal action that is pending, and I would have to say that in the case of Crocus Foods the bond corporation met and for whatever reason decided to send the letter. Again here is a corporation that was very supportive of the project, and then for whatever reason decided that they would withdraw their support. I think it was premature. I think that the bond corporation did not seek out information on Crocus Foods that would allow them to make a more informed judgment and they responded in a knee-jerk mode, I believe.

We have since met with the bond corporation and we have indicated to them the status of the project. We have indicated to them the potential that this project has. We

have told them about the increased number of jobs that have been put in place, and some of this information the bond corporation should have sought before they sent their letter out. However, the letter has gone out.

The company is not in a situation where it is going to close its doors tomorrow. However, these kinds of rumours and these kinds of actions that are taken by individuals do not do the company any good either, in terms of allowing it to continue and to expand its marketplace and continue serving its clients because the contracts that they have are solid, but they are contracts that have to be filled on a daily basis. When you get news like this—and not all the information in the article is factual, so therefore we have to be careful about what we take from that kind of reporting, not that it is necessarily intended to mislead, but I do believe there are some circumstances there that are not spelled out appropriately or fully in the article.

\* (1040)

**Mr. Clif Evans:** The flag of concern has been raised, and obviously it is going to be a concern to the 128 bondholders who have invested, also a concern I feel should be with the department because you are guaranteeing that loan, that issue. So if there is a problem, basically why has it not been nipped in the bud? As the minister is saying that everything is okay with it, why has the flag gone up then?

**Mr. Derkach:** Mr. Chairman, I want to tell the member for Interlake that when we have a problem or a challenge with a Grow Bond project, we do not run to the media and begin to ask media to come and look at this problem because there has been a red flag raised. That is not the way we deal with this situation. The annual meeting for this particular corporation is called, and at that time the bondholders will be informed fully as to the status and the potential and the circumstances surrounding that particular project.

So someone has decided to make that a public issue in Portage, and it finds its way into the newspaper, and it does raise fears in the people who have invested in the company. That is not the way it should be because if we have a sense that this company is going to be going down, we will certainly take appropriate steps to inform the bondholders and the bond corporation.

The bond corporation has a responsibility here, as well, and we will take the necessary steps to inform people as to the status of it, and it is done through either a quarterly meeting or an annual meeting but, in the interim, staff from the department are certainly aware and are working with that company to get over some of those hurdles. It is the case with Crocus, and it was the case with Gilbert where staff from the department have worked almost endlessly with them to bring in other players, to bring in other partners, to ensure that the project has a hope of success.

We should not look at these three projects or the one project that has failed as examples of how the Grow Bonds program is working because, on the other hand, we have some very successful projects out there that are employing people, that are creating wealth in the communities, creating activity in the province, that are very successful. So as the program goes along, we will always have issues that have to be dealt with, but there will always be good success stories, as well. So we have to deal with both.

**Mr. Clif Evans:** Mr. Chairman, I appreciate what the minister is saying, and I appreciate the position, certainly, that staff within a department and the department itself are put when something such as this surfaces. I know it creates uneasiness. It creates a sense of fear amongst not only, well, the community but the bondholders, and it is unfortunate. I say that too.

It is unfortunate that perhaps not all the right information has come out, perhaps. I say that perhaps, perhaps it is pertinent information that is in the article, and perhaps more will come out at the annual meeting, but it just shows me that perhaps there should be something more available when Grow Bond issues are issued and okayed to deal with the potential of a Crocus or of a Woodstone or of a Gilbert International.

Now, Gilbert International received its issue two years ago, two years in July, and up until just lately there was absolutely virtually no production out of that plant, creating a sense that the community has put a \$700,000 Grow Bond issue into that and basically I think not being let down by the department or by the government, of course not, because the government is not the one that is running the plant or operating the plant but sort of leaving a sense of insecurity amongst the people in the

community because they are not sure what is going on. Their investment is sitting for two years. They finally had an opportunity to use a facility that has been sitting there for many years, a wonderful facility, good intentions. What goes wrong?

**Mr. Derkach:** Each project that we have referenced in terms of the difficulties has its own set of circumstances and difficulties that arise surrounding the project.

In the case of Gilbert, a contract was lost because the company moved from a building that they were—I guess they were not evicted from it, but the building was being used for other purposes, so they had to move. In moving they had to set up their equipment and get started up again. In the interim, they did lose contracts which had to be found again.

So the start-up of a company is not immediate. There will be a period of time, and in this particular case it was fairly lengthy, and I have to give credit to the staff in the Grow Bond office who worked just tirelessly to bring other players to the table to ensure that the company would succeed and would start up properly to get over as many humps as possible.

So whether it is Crocus Foods or Gilbert International, those kinds of situations will always occur, and you do not just have to look at Grow Bond projects. You can go outside the Grow Bonds program into businesses that start up without Grow Bonds, and they go through similar kinds of situations in some circumstances. Our job is to make sure that we give them every possible opportunity to succeed, at the same time ensuring that the public in that community remains supportive of the project because it is there where the jobs are being created.

It is not for the Department of Rural Development. It is within that community. So we try to keep the community on side and as positive as possible and as patient as possible to allow that project to succeed. Sometimes reports in newspapers are not necessarily misleading, but they do not present the full situation, and it does cause some nervousness in the community and in the investors, but in a general sense I would say that my telephone has not been ringing off the wall with people who are concerned about their investments. They know their investment is guaranteed, the principal of their

investment, is guaranteed by the province. They look at the benefits that the project has for their community. I have spoken to people in Portage, community leaders in Portage, about that project, both projects as a matter of fact, and they are concerned because they think this is a—they like their jobs that are associated with the project in their community. They desperately want to see this project succeed, so they are being as patient as possible, but sometimes it is inaccurate stories that get out that create the nervousness.

Now, that does not say that some of these will go down. They may, in fact, and we will be there to ensure that the principal of the investor is guaranteed as we have promised, with the establishment of the program.

**Mr. Clif Evans:** Still with Gilbert, without knowing the full details about Gilbert International, and again from what I have heard and bits and pieces of what I have heard, what I have seen, and if it was the minister's department, the Grow Bond staff, who did work as he has said to maintain that issue by bringing in new partners, then I compliment the department and the staff for that.

I can tell the minister that I was getting rather worried and a little antsy about Gilbert International, going by there for the last two years, over two years, in my trips through Arborg, seeing no cars there, seeing nothing being done, hearing all kinds of rumours and, yes, of course, bondholders, the majority, were not concerned in a small way because the money is guaranteed back to them. It is not a problem. I think the idea was that they were anticipating, and perhaps someone did not do his homework before applying to the GrowBond issue to make sure that the development or the production did not just step into line as they were moving, if the minister can appreciate what I am saying, understand what I am saying.

Was there enough preparedness done by Gilbert International going from one place to the other? So that is part of the business plan, but can the minister indicate how much of Gilbert International does Mr. Gilbert now have?

\* (1050)

**Mr. Derkach:** Mr. Chairman, with every bond project, not just Gilbert, we try to ensure that first of all the

marketing plan is there and is a solid one. We cannot sometimes ensure that a market is not going to be lost, and in this case, because of startup difficulties—they had to manufacture some pieces of equipment, as I understand it—there was a market that was lost, so there had to be some work done to recapture or to find a new market for the product. That has happened, but it has taken longer than we would like, but in the interim I think staff from my department have kept the people in the community informed. The community in Arborg have been extremely supportive. I have to say that the council over there have been just extraordinarily patient and positive in working with this project to give it every opportunity to succeed.

(Mr. Frank Pitura, Acting Chairperson, in the Chair)

I do not know what percentage of the company is still owned by Mr. Gilbert himself. That is not something that I get involved in, and I do not know whether that is an issue that we should be even debating right at this table, but let me say that other partners have been brought in to the company who have an interest in this kind of project and I think who will allow it to be successful.

**Mr. Clif Evans:** Of course, I am sure the minister is aware that Manitoba Pool has come into play with Gilbert International. The minister made a statement that perhaps it is not necessary to really know who are the players within the business that is applying for a GrowBond issuance. Well then, the minister can correct me that there should be knowledge of who the players are, totally. Am I not correct on that?

**Mr. Derkach:** Mr. Chair, of course. Before a bond is approved we know exactly who the players are and who the investors are. However, I said that how much of the company is owned by Mr. Gilbert is not necessarily something that we need to be debating at this table. That was the question, how much Mr. Gilbert owned of the company, and my response was with regard to that. But in terms of knowing who the proponents are, who the players are, the background on them, the management, all of that is known by the professionals in the department who work with them on a daily basis.

**Mr. Clif Evans:** The minister has indicated 11 or 12 other companies have applied lately, and they are through different stages. I want to say, and I do not want to

belabour this portion of the Estimates, but I can certainly tell the minister that I encourage the activity of the Grow Bond issues very much so.

Again, as I said in my earlier statement, and I know it is up to companies to come and make their applications. I understand it is not up to the minister, nor his staff nor the department, to go marketing the Grow Bond issue out to Manitobans. It is something that is available. I am certainly hoping that more companies take advantage of the Grow Bond issues and certainly do whatever is necessary to be able to expand or implement new business and get the support of the local people. I feel that the Grow Bond issue, and perhaps the REDI program, may be one of the steps that I had indicated earlier that would be needed and be available to keep some of the businesses, small or large, or entrepreneurs, have something available to expand in a rural area and get the support of the people.

Some of the smaller companies that I have talked to and I have encouraged—and I thank the staff for their quick participation when I have brought a matter to them with a small entrepreneur in Riverton. I made this comment to the minister before—from my constituent—that for all the hoops and rings I have to go through to be able to get an issue going, he said, I can get it done myself in less time. I am still going to try and encourage him to try and get involved and get the community involved, but the difficulty sometimes is local people do not want to know what their business is.

When you are going through a Grow Bond issue, where you have to involve the community, it makes it difficult sometimes. I hope that there is something that we can continue further with the Grow Bond and encourage. I will do my part. I know my colleague for Dauphin will encourage all the entrepreneurs and small businesses in his constituency to look into these different programs that are available and keep a—[interjection] That is what I hear. I hope that Gilbert International becomes as successful as the potential that we thought was there initially.

I toured the plant the day that the issue was announced and met with Mr. Gilbert. I was very, at that time, confident, and so now, of course, I am getting my confidence back a bit and pleased to see that the minister's department and staff has done what is possible

to keep Gilbert going for the future and for the future of the community of Arborg and its holders.

**Mr. Derkach:** Just very quickly, Mr. Chairman, I have to say that the marketing side of the Grow Bonds program is extremely important. We have to continue to inform communities about the availability of the Grow Bonds program and what it is about no matter where I go, district meetings at UMM, the larger meetings, the annual meetings of the UMM, chambers of commerce meetings, rotary clubs, all of those that I attend throughout the province. I have to say there still is not enough knowledge about the program. Even though we spent dollars marketing it, we still need to spend more dollars in marketing it so that people are very familiar with it.

I think we have to highlight success stories. Unfortunately, newspapers highlight sometimes the ones that are in difficulty, but we also have to highlight the success stories, as well, and there are lots of them. The member for Dauphin (Mr. Struthers) knows that Westman Plastics from Dauphin to this point in time is a very successful company. They were allowed to be successful because of the availability of the Grow Bonds program. I think the same will be true for Mr. Gilbert at Gilbert International.

\* (1100)

Here are individuals who have put their lifesavings on the line and have tried to get into a business where there is potential, where there is a market for their product, but there are difficulties that arise as the business grows. Our responsibility as a department is to walk in step with the company as they progress from the start-up stage onto the development and onto the marketing and the production side of the process.

We should not fool ourselves that down the road there will be challenges that will be faced by companies. I do not think there is a need for us to raise all kinds of alarms about the program, rather we have to ensure that the appropriate processes are followed. We also have to ensure that we give the companies every bit of support that we possibly can and allow them to succeed and that is what we will do.

As the member knows, I said there are 11 or 12 files that are now active. There are more companies beyond that which have indicated an interest in the Grow Bonds

program. There is one in the member's own area, the project involving the extraction of peat. Now, that is also going to be an active candidate for a Grow Bonds program, and we are certainly going to be there working with them to give them every bit of support that we can.

**Mr. Clif Evans:** The minister, again, took away my next question, but I do want to go on that a bit. I know that that would be also under the REDI program, and correct me if I am wrong. Has the company from Alberta indeed requested assistance and co-operation under the REDI program for a project plan?

**Mr. Derkach:** The progress on that particular initiative is one that is ongoing. We have looked at the application, I guess, and staff from the department have done their work in terms of looking at the viability of the project and so forth, or at least looking at our approach in terms of funding the project at this level. We are still working with the company and hopefully in the next while, we will be able to have a positive response to their application.

**Mr. Clif Evans:** That is strictly for the feasibility portion of the program and, of course, of the project.

**Mr. Derkach:** That is what they applied for.

**Mr. Clif Evans:** That is what they have applied for. You had indicated earlier that a company such as this would be, as many, eligible for a Grow Bond issue at a time if, in fact, they are going to come in and start with the project itself, which seems to be right now at a bit of a standstill. In just discussing it yesterday with one of my constituents who is on the board, I asked how quickly is the community moving with this and are the companies moving on this. It seems that right now there is a bit of a standstill between the community and two of the other interested parties for coming into the community to begin.

I would at this time, and on that topic, offer the minister and some of his staff, if possible, to come out to Riverton and Arborg to meet with councils, with myself, and discuss the potentials and futures of rural development for our area, an open invitation to him. Then, of course, perhaps do a tour of the site and the area that we are hoping will be soon resourced. So the invitation is there. I say that now to the minister and hopefully he will come out and support, because I have

said that the Minister of Rural Development supports this project and certainly will assist myself and the communities in whatever way possible.

**Mr. Derkach:** Well, I cannot resist, Mr. Chairman. I certainly thank the member for the invitation, but I encourage him to also invite his colleagues, and specifically the member for Crescentwood (Mr. Sale), to the rural part of our province to look at the positive nature and the attitude of Manitobans. The last thing we need is someone recommending that a company be moved into the city of Winnipeg because it is having difficulty in rural Manitoba. I mean, that—

**An Honourable Member:** And now we are playing politics.

**Mr. Derkach:** Well, the member says, now we are playing politics. That is not politics. You look at—well, it is politics—but you look at the comments that were made in the newspapers from the member for Crescentwood with regard to his proposal about moving this company from Portage to Winnipeg. What does that do for the 35 people who are employed at that company in Portage?

So, therefore, I guess what we need to do is, yes, I would love to come out and I will, but I also encourage that members of his party also know and get to understand the benefits of these very important jobs in the rural part of our province.

**Mr. Clif Evans:** Mr. Chairman, I just want to say to the minister that my colleagues—and not my rural colleagues, of course, because they understand the importance of economic development in rural Manitoba, but I can assure you that my urban colleagues also support rural Manitoba and know exactly what is required and what can be done and what the potential is in rural areas. So whatever brought on the debate between the minister and my colleague from Crescentwood, that he will have to deal with on a one-on-one with him. I can assure you that my colleagues know the importance of rural Manitoba and know what is going on in rural Manitoba and what needs to be done and will support that.

Can the minister indicate, under the REDI program, Programs-Operating has received an increase in funding,

and Programs-Capital, can he enlighten me with those two expenditures and how the REDI program is doing?

**Mr. Derkach:** Mr. Chairman, under the REDI program on the capital side, as the member notes, the program has increased from the \$3.7 million to the \$4.1 million, and basically that is in the Portage la Prairie waste water infrastructure program where we have allocated an additional million dollars to that project as a result of McCain coming into the Portage area and the need for the upgrade of the waste water treatment there.

(Mr. Chairperson in the Chair)

**Mr. Clif Evans:** It says under Activity Identification: Provides provincial loan guarantees to financial institutions under the Rural Entrepreneur Assistance program. Can the minister enlighten me on that program a bit further?

**Mr. Derkach:** The REA program is a program that is delivered through financial institutions in the province. It is a loan program, and what our involvement is in the program is that we guarantee up to 80 percent of the loan. The loans are up to a maximum of \$100,000 per business. To date, we do not have a wide range of banking institutions participating in the program. The Imperial Bank of Commerce is a participant in the program, and the largest participant is the Manitoba Credit Union system in the province.

We have a number of loans that have been taken out for a variety of businesses. These do not have to be in a value-added or in a manufacturing sector. They can be in any type of business. A lot of these businesses are being taken out by women in rural Manitoba. We have had some failures in some of them, as well. I mean, that is only normal, but our loss ratio is not abnormal. The program, I think, does fill a need in local communities where small businesses have had difficulty in accessing funds from traditional banking institutions.

\* (1110)

**Mr. Clif Evans:** Mr. Chairman, if I, with support from the minister, ask if we may just have about a two- or three-minute recess, if you do not mind, I have another issue that I would like to deal with with my colleague and get right back to it.

**Mr. Chairperson:** Is it the will of committee that we take a short recess? [agreed]

*The committee recessed at 11:11 a.m.*

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### After Recess

*The committee resumed at 11:16 a.m.*

**Mr. Chairperson:** Order, please. Will the Committee of Supply please come to order. We will continue with the Estimates of the Department of Rural Development.

**Mr. Clif Evans:** Mr. Chairman, the minister had indicated last year in Estimates that the Community Development Corporation program was going to be into play for this year. I have heard concerns about it. In one way, I guess it is a community works program that is there to promote growth of small businesses as indicated here.

The concerns that I have heard—and these are just concerns. The minister certainly does not have to turn around and lash back at me for my comments because these are not necessarily my comments. These are comments that I am bringing to the minister from concerned people, and some of the concerns I heard were basically from the Community Futures people with this program. They felt that perhaps this program was getting in the way with what they were doing.

Now, those are concerns. The minister can explain to me just, do they have concerns? I know it is federal and provincial programs, but those are concerns that were raised with me in some of the areas that I have gone to. I would be interested in seeing the program continue and how it will work. Presently, are there any loans out through this program in the province? How many programs have been established already is what I am trying to ask.

**Mr. Derkach:** With regard to the concerns that are being expressed to the member for the Interlake by the Community Futures groups or whoever, I cannot speak to that because our mandate as a department is to provide these kinds of delivery services to rural Manitobans. As a province, we have the mandate to deliver these

programs for the benefit of the people in our municipalities and our communities.

My experience with the Community Futures people has been more positive than the member indicates. We did a review of our delivery programs, and we asked the participation of the Community Futures organizations, so that we, in fact, would not be duplicating our programs. We had some limited success in their participation, and we have been in contact with them, but what we are finding is, right now in the last year, that they are developing programs which are very much the same as or similar to the ones that have been implemented by the province, whether they are in the Department of I, T and T or the Department of Rural Development. So we are doing what we can to encourage them to work along with us in co-operation, rather than duplicating some of the things that are being done by the provincial departments.

In terms of the community development corporations, this is not a new concept. It was started 25 years ago in the community of Winkler. It was a vehicle for them to raise money through taxation for economic development purposes because that is allowed in The Municipal Act. We have just simply built on that experience that Winkler had, and that is how we have created the Community Works Loan Program. The reason we are using the CDCs is because they are the sort of the legitimate arm that is required in order for a municipality to participate in economic development.

Of the number of CDCs that we have in the province, four were existing prior to October of 1995. Since October 1995 we have incorporated five more. Included in that list are Dauphin, Deloraine, Grandview, the mountain region, Souris, and Glenwood CDC. We have nine more in the process of being finalized: Rosburn, Woodworth, Gilbert Plains, MacDonald, Montcalm, Rivers, Pinawa, Pelly Trail and The Pas.

\* (1120)

So there is activity going on in that area. Communities are raising their funds in various ways. The first new incorporated CDC in the province was in Grandview, and in that case the credit union came forward with their share—that was a community share of the money—for the establishment of the CDC. We are finding that communities are taking up the program, and, by and

large, the response has been positive to date on that program.

I am also informed that staff from my department did consult with the Community Futures people during the development of the Community Works program, and it is also my understanding that Community Futures is also jointly promoting the program within the communities that they are functioning in. So there is some work being done in a co-operative fashion between the federal and the provincial programs.

**Mr. Clif Evans:** Under rural Canadian development projects, and that is under Unconditional Grants, that \$5.5 million, is that the return to the municipalities on a per capita and a base payment of VLT funds?

**Mr. Derkach:** The \$5.5 million is the unconditional grant that goes to the rural communities; in addition to that, we top that up by an additional million dollars that is being taken out of the community development projects area and that is for the benefit of the very small municipalities that do not have a village or a town or are not likely to access the REDI program, the feasibility studies program, because they do not have a centre in their municipality.

So to allow them to get some benefit out of the lottery funds that we distribute to municipalities, we have provided an additional million dollars in that regard.

**Mr. Clif Evans:** Can the minister tell me what this year's formula is for VLT money going back to the communities, the per capita and the base?

**Mr. Derkach:** First of all, that \$5,000 base grant is still there for each community, plus a per capita grant which this year was \$12.58.

**Mr. Clif Evans:** Mr. Chairman, I believe that that \$12.58 is up from \$11.09 of last year, somewhere around there, \$11.10?

**Mr. Derkach:** Mr. Chairman, it was \$11.44 a year ago.

**Mr. Chairperson:** 13.6.(a) Grow Bonds Program (1) Salaries and Employee Benefits \$371,500—pass; (2) Other Expenditures \$1,298,000—pass.

13.6.(b) Rural Economic Development Initiatives (1) Salaries and Employee Benefits \$274,300—pass; (2) Other Expenditures \$102,100—pass; (3) Programs - Operating \$7,529,100—pass; (4) Programs - Capital \$4,175,000—pass.

13.6.(c) Unconditional Grants - Rural Community Development \$5,500,000—pass.

Resolution 13.6: RESOLVED that there be granted to Her Majesty a sum not exceeding \$19,250,000 for Rural Development, Rural Economic Programs, for the fiscal year ending the 31st day of March, 1997.

We will now proceed to 13.4. Local Government Services (a) Executive Administration (1) Salaries and Employee Benefits \$104,500—pass; (2) Other Expenditures \$32,600—pass.

13.4.(b) Assessment (1) Salaries and Employee Benefits \$5,550,500—pass.

13.4.(b)(2) Other Expenditures \$1,194,800.

**Mr. Clif Evans:** Mr. Chairman, just a few comments or questions. Can the minister tell me a little bit more about the Manitoba Assessment Computer System, the MACS, and the Board of Revision Assessment Support System, BRASS? Is that new technology, not new technology, new names to it, or is it something I have missed previously? What are the programs?

**Mr. Derkach:** No, it is not new. The program has been operating for some time. Since I have been Minister of Rural Development, the computer program has been there. It was just in the final phases of implementation when I became minister, I believe, and it is basically the computer program that we run the assessment system on.

Well, programs like that always need upgrading, but when you compare it to what our systems are like in the city, it is quite advanced from what they have currently.

**Mr. Clif Evans:** Mr. Chair, I would appreciate the minister's acknowledgement that—memory fails me. Could he indicate whether the '97 assessment—is the 1997 assessment based on 1994 year? Is that where we are looking at?

**Mr. Derkach:** Mr. Chairman, the base year is 1995.

**Mr. Clif Evans:** Base year?

**Mr. Derkach:** The reference year, I am sorry, is 1995.

**Mr. Clif Evans:** Mr. Chair, and the next base year will be?

**Mr. Derkach:** The rule is, it is the year following the previous reassessment. The next reassessment is 1997. The year following the next reassessment is 1998, so the next reference year will be 1998.

\* (1130)

**Mr. Clif Evans:** I thank the minister for that. I was even confused when I was asked just last week about that, and I could not remember exactly how. I was under the impression that it went every three years. Your taxes were based on—for example, '97 taxes were still based on the '94 assessment. That is three years previous and it stayed for three years. Am I correct in that?

**Mr. Derkach:** The 1997—well, now we are changing—1998 taxes will be based on the 1996-97 reassessment, and I am looking at my assistant deputy minister to—okay.

**Mr. Clif Evans:** Thank you. That clears that up. I will have to actually even go back to Hansard and make copies of it so I can have a better knowledge to explain it.

**Mr. Derkach:** To help the member, I would be pleased to have staff from my department give the member a briefing note that explains that so that when he is dealing with constituents, he can have that as a reference.

**Mr. Clif Evans:** Well, I thank the minister for that, and, yes, I would greatly appreciate that. At times, it does come up, and, of course, sometimes it is very difficult to deal with, not when you are dealing with the elected officials who are part of it, but when you are dealing with constituents. I would appreciate that information.

I would also appreciate, in going back, and I was going to ask the minister, I would also appreciate the updated list for all the municipalities, towns and that having received the \$12 and the \$5,000 and how much is being sent to each, as he has provided me in the past.

**Mr. Derkach:** Mr. Chairman, that was in the previous section, but I do not see any difficulty in giving the global

amounts. You want the specific amount each municipality got?

**Mr. Clif Evans:** Yes. I have had it provided to me, a list of the towns, municipalities, LGDs, villages.

**Mr. Derkach:** Mr. Chair, I do not see any difficulty with providing that kind of information.

**Mr. Clif Evans:** Mr. Chairman, I thank the minister for that.

**Mr. Chairperson:** Item 13.4. Local Government Services (b) Assessment (2) Other Expenditures \$1,194,800—pass.

Item 13.4.(c) Local Government Support Services (1) Salaries and Employee Benefits \$740,500—pass; (2) Other Expenditures \$286,800—pass; (3) Transit Grants \$1,382,600—pass; (4) Centennial Grants no expenditure—pass; (5) Municipal Support Grants \$1,003,100—pass; (6) Less: Recoverable from Rural Economic Development Initiatives minus \$75,000—pass.

Item 13.4.(d) Grants to Municipalities in Lieu of Taxes (1) Grants \$15,120,700. Shall the item pass?

**Mr. Clif Evans:** Mr. Chair, can the minister just please, on a short explanation, explain this line, Grants in Lieu of Taxes? We are looking at \$15 million; then we are looking at Recoverable from other appropriations. Can the minister just explain that line?

**Mr. Derkach:** The grants in total, the \$15 million, is for Grants to Municipalities in Lieu of Taxes on Crown properties that is paid to municipalities. Recoverable from other departments is \$14,962,000. What Rural Development pays then is the remainder, which is \$158,000.

**Mr. Clif Evans:** Mr. Chair, basically then, the department is the administrator of that section of government.

**Mr. Derkach:** That is correct, and we have tried to move away from the Department of Rural Development paying Grants in Lieu of Taxes for other agencies and departments and move that more appropriately into those departments where they should be paid. We do that for more accountability within the various other areas of government.

**Ms. Jean Friesen (Wolseley):** Mr. Chairman, I wanted to ask on the line of Grants to Municipalities in Lieu of Taxes about the grants in lieu of taxes that used to be paid to post-secondary institutions, to colleges and universities. Could the minister explain the line of accountability now?

**Mr. Derkach:** That line has been moved over to the Department of Education. They pay that to the universities, and they are accountable for that. That used to be with Rural Development at one time, and it has been changed and moved over, more appropriately, I think, to the Department of Education.

**Ms. Friesen:** Will the minister tell me where it is written in Education that there is a line of Grants in Lieu of Taxes with a number attached to it?

**Mr. Derkach:** I am sorry, I cannot give you that information at this time, but I think that is something that should be available from the Department of Education upon request, because it is there. I am sorry, I do not have it here, or I would tell you what it is.

**Ms. Friesen:** Mr. Chairman, I understand the minister does not have it here. I understand that he is saying it is no longer in the Department of Rural Development.

Would the minister undertake to let me know in writing where it is, with a copy of the line that it appears in the government's overall Estimates, as well as in the Department of Education?

**Mr. Derkach:** Yes, I will. It might take me a day to do that, but I will get that for the member.

**Ms. Friesen:** Mr. Chairman, my second question arises out of the committee on Bill 32, I think it was, last fall. This was the one that eliminated the line Grants in Lieu of Taxes and indicated that the Universities Grants Commission, in making its allocation to universities and colleges would take into account, I believe was the word he used, the absence now of grants in lieu of taxes.

There are a number of things that arise from that. One is that the minister did undertake to me at that last committee in the fall to write with an account of the amounts of taxes that were paid by commercial establishments on campuses, both universities and

colleges. I subsequently wrote to the minister a number of times asking for that information and never received a reply, so I am wondering what has happened. Hansard does not read facial expressions, but it appears to be news to the minister.

**Mr. Derkach:** It is.

**Ms. Friesen:** I am still interested in that information. We were looking at the prospects for the raising of funds by universities. At that time the minister said, well, this is nothing new here because commercial establishments—and I think the example I used was a pizza operation in the basement of some college or university—already pays taxes. Remember my mythical pizza?

**Mr. Derkach:** I remember it.

\* (1140)

**Ms. Friesen:** It was a mythical pizza, and I asked the minister to provide me with information on how many of such institutions there were and what taxes they paid. He said that he would provide it in a few days, and I followed up.

**Mr. Derkach:** If I did not follow up on that information, I apologize to the member, because somehow that slipped through the cracks.

But with regard to the letters that have been written by the member to me, I am sorry, I do not have a copy of that letter, but I will find out where that letter has gone to in my department. I have not seen it. I will certainly make every effort to provide that information to the member. I apologize—I cannot even recall seeing the letter, to be honest with you, but I will look for it, and if not we may have to ask you for a copy of the letter again, and then we will certainly respond to your request.

**Mr. Clif Evans:** Mr. Chairman, I have to apologize here. I have lost my place listening to pizzas.

**Mr. Chairperson:** Item 13.4.(d) Grants to Municipalities in Lieu of Taxes (1) Grants \$15,120,700—pass; (d) (2) Less: Recoverable from other appropriations (\$14,962,400)—pass.

13.4.(e) Information Systems (1) Salaries and Employee Benefits.

**Mr. Clif Evans:** I just want to ask the minister and his department, has the issue that was brought to the minister's attention last year from the LGD of Armstrong, where they had a concern about grants in lieu of taxes for noninhabited lands, has that matter been resolved?

**Mr. Derkach:** I think they were just seeking clarification on that issue. I believe it was resolved because I met with the LGDs last week, and they were represented, but nothing was brought forward from them in that regard. So I assume that the matter has been dealt with.

**Mr. Chairperson:** Item 13.4.(e) Information Systems (1) Salaries and Employee Benefits \$673,800—pass; (2) Other Expenditures \$1,509,800—pass.

Resolution 13.4: RESOLVED that there be granted to Her Majesty a sum not exceeding \$12,562,300 for Rural Development, Local Government Services, for the fiscal year ending the 31st day of March, 1997.

Item 13.5. Rural Economic Development (a) Executive Administration (1) Salaries and Employee Benefits \$104,500—pass; (2) Other Expenditures \$30,700—pass.

13.5.(b) Infrastructure Services (1) Salaries and Employee Benefits.

**Mr. Clif Evans:** Under this section it states that the department provides information assistance for connecting feasibility studies for water- and sewer-related projects. Is that for specifics, upgrading the existing sewer systems or water systems, or is it for new projects? What service does this department provide?

**Mr. Derkach:** Whatever requests come in, we work with the communities to try and provide the necessary information and studies that are required on the requests and the projects that come in, so it is just a matter of the department working with the various communities.

Now, if you are referring to the PAMWI program, that was an established program between the federal government, provincial government and the municipalities and there were identified projects under that program. However, as the member knows, the program was reduced by the federal government, so we

were not able to carry it out in all of our communities that were identified.

Subsequent to that, I guess, two communities have been identified by the federal government that have been put back on the program and those were the communities of Selkirk and Virden.

**Mr. Clif Evans:** So, basically then, the minister is saying even though the line states that the grants are the same as last year and the finances are there, however, there are not enough finances now to continue with the other projects that have been—I am perhaps missing something here.

**Mr. Derkach:** Well, Mr. Chairman, the federal government, by reducing their participation in the program, basically reduced the program by \$7 million, which means that some of the projects that were identified for completion and for proceeding with have not been able to go ahead. Now, of that list that have not been able to go ahead, two were given the go ahead and those were Virden and Selkirk.

**Mr. Chairperson:** Item 13.5.(b) Infrastructure Services  
(1) Salaries and Employee Benefits \$1,292,100—pass;  
(2) Other Expenditures \$327,200—pass.

13.5.(c) Community Economic Development Services  
(1) Salaries and Employee Benefits \$2,829,500—pass; (2) Other Expenditures \$809,500—pass; (3) Grants \$545,000—pass.

13.5.(d) National Agri-Food Technology Centre \$997,100—pass.

Resolution 13.5: RESOLVED that there be granted to Her Majesty a sum not exceeding \$6,935,600 for Rural Development, Rural Economic Development, for the fiscal year ending the 31st day of March, 1997.

**Mr. Derkach:** Just for the benefit of honourable colleague and critic, I would like to introduce Mr. Gerry Offet, who is the new CEO of the Food Development Centre. Mr. Offet joined us on April 1, and he is the new general manager of the food centre.

**Mr. Clif Evans:** Thank you for the introduction and welcome, sir. I will probably be in touch with you in

July, I hope, in my touring around and meet with you and see the facility and discuss any issues regarding food. Seeing that I am an ex-restaurantier, I am very interested in food.

**Mr. Chairperson:** Item 13.7 Expenditures Related to Capital (a) Transit Bus Purchases \$180,000—pass; (b) Water Development \$944,100—pass; (c) Sewer and Water \$4,000,000—pass; (d) Canada-Manitoba Partnership Agreement on Municipal Water Infrastructure \$3,300,000—pass; (e) Conservation Districts \$2,197,800—pass.

13.7.(f) Downtown Revitalization \$191,600.

\* (1150)

**Mr. Clif Evans:** On this line, I know I brought this to the attention of the minister last year during the Estimates. I think that this program, Downtown Revitalization, would be an important one to perhaps establish a better resource, perhaps establish a program with more resource in the program itself. I know that some of the communities in my constituency are in the process of doing different things to improve their infrastructure, improve their situation within their own community.

I just feel that Downtown Revitalization would be a very important project for the future for smaller communities to be able to establish themselves and to be able to set their communities up, make it more attractable, of course, and do the necessary work for their downtown areas. I really do believe in that and support that program, perhaps it should be upgraded and more resources made available to it. I am just putting that on record.

**Mr. Derkach:** I thank the member for that suggestion, and I do not disagree with him in terms of the value of a revitalization program, or whatever it might be called, for the infrastructure in our communities. However, that has not been one that we have considered at this point in time, but it is something that perhaps is a good project for us to consider down the road.

I do not disagree with the member when I look at what has happened in Thompson and in Brandon as a result of the program. This program has levered private dollars,

federal dollars and provincial dollars in terms of revitalizing the aging infrastructure in the downtown areas of these two cities, and it has really done quite a marvelous improvement in the area.

More importantly, it has created jobs and it has created activity and I am sure that the taxes that have been paid on those improvements have more than paid for the program over the term.

**Mr. Chairperson:** Item 13.7.(f) Downtown Revitalization \$191,600—pass.

13.7.(g) Less: Recoverable from Rural Economic Development Initiatives (\$2,250,000)—pass.

Resolution 13.7: RESOLVED that there be granted to Her Majesty a sum not exceeding \$8,563,500 for Rural Development, Expenditures Related to Capital, for the fiscal year ending the 31st day of March, 1997.

The last item to be considered for the Estimates of the Department of Rural Development is item 13.1.(a) Minister's Salary on page 120 of the Main Estimates book. At this point, we request that the minister's staff leave the table for the consideration of this item.

All right, proceeding with item 13.1.(a) Minister's Salary \$25,200—pass.

Resolution 13.1: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,311,700 for Rural Development, Administration and Finance, for the fiscal year ending the 31st day of March, 1997.

This now completes the Estimates for the Department of Rural Development. Committee rise.

\* (0900)

## GOVERNMENT SERVICES

**The Acting Chairperson (Peter Dyck):** Will the Committee of Supply please come to order. This section of the Committee of Supply will be considering the Estimates of the Department of Government Services.

Does the honourable Minister of Government Services have an opening statement?

**Hon. Brian Pallister (Minister of Government Services):** Yes, I do, Mr. Chairman. I am pleased to present the 1996-97 spending Estimates for the Department of Government Services. It was my pleasure a year ago to be appointed as a minister of this department, and in presenting this year's Estimates I have even more reason to believe than I did last year at this time that my department has the ability to provide excellent service in a number of ways to the people of Manitoba and to other government departments. My guidance and direction to the department has been in keeping with this government's goal to attain a balanced budget, and my honourable colleagues will note in the Estimates that we are to debate this morning that the department has reduced expenditure levels but at the same time has continued the quality of services it provides.

With the Chair's permission, what I would like to do now is highlight some of my department's recent accomplishments and plans for the coming fiscal year. My colleagues are familiar with the accommodation cost-recovery system, which I remember them asking me many questions about last year, so I know you will be interested to learn that we will be adding several special purpose government facilities as recoverable from 1996-97 and these include The Forks Tourism Centre, the fire college in Brandon and the Ag Extension Centre also in Brandon. The accommodation cost-recovery system is living up to its objectives by providing a tool to increasingly reflect the real cost of government programs. Managers are making more cost-effective decisions to minimize their space requirements with the information that we are able to provide them on the cost of the space that they occupy. The ACRS program has, in this way, been a catalyst for reducing costs beyond this department.

Mr. Chairman, a year ago I said in my opening remarks that Postal Services would achieve special operating agency status in a year, and I am pleased to announce that effective April 1, '96, mail management joins Fleet Vehicles, Materials Distribution, Land Management and becomes the fourth special operating agency to be launched from this department. I make this announcement with enthusiasm, based on the past experience and results with the first three agencies established by my department. We have seen marked improvement in operating results, service levels to clients and therefore cost savings for government.

\* (0910)

Mail management in its first year of operation as an agency intends to pursue an aggressive program directed at attaining operational efficiencies and improvements. It will also initiate a number of measures to increase its ability to better meet the needs of its clients. Within its first year this new agency is projecting positive financial results, and I am advised that staff are looking forward to both the challenges and the opportunities they will face as an agency. Moving to the agency format is consistent with the department's mission to provide cost effective and responsive support services to its clients.

A year later I can again stand before you as Minister of Government Services and speak to you with even greater knowledge about a program you questioned me previously, that was the open bidding service which we spoke of in last year's Estimates. This service now has approximately 1,500 Manitoba vendors subscribing to it. This is a 55 percent increase since we started to use the system in April 1995. This increase is reflective of the efforts of the Manitoba Government Services Purchasing branch who have demonstrated OBS to hundreds of Manitoba vendors at trade shows and workshops. It also demonstrates the increasing comfort that businesses are beginning to have with the use of current technology. In addition to competing for millions of dollars of business with the Manitoba government, Manitoba vendors are now also more readily aware of opportunities from out of province. The dollars speak for themselves.

Between July and September 1995, Manitoba vendors were successful in obtaining over \$3 million of business out of a possible \$9 million from other jurisdictions. That translates into a 30 percent success rate for Manitoba small businesses. Within Manitoba, my department administers a purchase procedure called a direct purchase order program, DPO, and the DPO system is the tool which allows client departments to go directly to suppliers for lower-cost purchasing. This year we have increased the level of goods that can be purchased from DPO from \$500 to \$1,000. This is no small benefit as it will decrease paper transactions by an estimated 3,000 per year. We see this as bringing about internal savings to government and benefiting vendors throughout the province who will be supplying the needs of government departments in their locality.

Earlier in my introduction I made reference to the accommodation cost-recovery system, and I want to now draw your attention to the excellent planning and negotiating strategy carried out by the accommodation development group. With the knowledge and expertise within my department, we continue to achieve a decrease in accommodation cost. We have been using a model of office standards developed by the department in assessing client department requests and assigning space. With client department's co-operation and effort, we have been able to more effectively use the space that we occupy. We have seen a trend in departments consolidating their operations and therefore reducing the amount of space that they occupy. Reduced space of course translates into reduced dollars.

Government Services has also been cognizant of market trends and has had success in negotiating leases at lower rates, and lower rates as well translate into lower costs for the taxpayers of Manitoba. There is a trend across government to consolidate programs to achieve efficiencies and eliminate duplications, and we are presently taking steps to consolidate the activities of the Land Value Appraisal Commission with the Municipal Board. The commission and the board are now located within government-owned accommodation in the Walter Weir building at 800 Portage Avenue. This co-location will bring administrative efficiencies for both the commission and the board, and I am pleased to see this kind of co-operation, and I know my colleagues share this between departments.

The planning done by government is not always given sufficient recognition. The power of good planning and training were never more evident than during the tense days created by our recent flood situation in this province. Through the guidance of the Manitoba Emergency Measures Organization, the communities affected by the flood were able to activate emergency preparedness plans and apply the training they had received through the Emergency Measures Organization. The communities were able to meet the threat of the floodwaters and damages were far less than had been suffered in the major 1979 flood which had comparable water levels in most of these communities. I am pleased that my department carried out their day-to-day duties so effectively and so quietly. They made a difference in the lives of many people affected by the flooding.

Although not specific to my role as Minister of Government Services, I would like to comment briefly on the activities of the Regulatory Review Committee which I had the pleasure of chairing over the past several months. I am pleased to report that through the efforts of that committee and its review of all government regulations, we have been able to identify approximately a third to be streamlined or eliminated. Moreover, Mr. Chairman, we were able to identify close to 300 government forms for elimination, consolidation, streamlining, removal from regulation or electronic conversion from paper. The end result of these activities will be the elimination of almost 3,000 pages of regulatory material including 1,000 pages of forms.

I would like to comment briefly on an issue concerning disaster assistance. The federal government, provincial government and municipal governments have an agreement of long standing for the cost-sharing of damages that occur in localities when disasters occur, whether it be fire, flood, derailment or other types of disasters.

Through the auditing process conducted by the federal government approximately 10 months ago, it came to our attention that the federal government's auditors were disallowing claims made by municipal governments which had previously been entered into synchomental cost-sharing claims when municipalities chose to use their own machinery, equipment or chose to involve their own staff in doing repairs. This change in practice, a well-established practice of over a decade, has greatly concerned me and greatly concerned municipal leaders throughout our province. The reality of these changes is that the federal government will download the costs that are incurred by communities to them, and this departs from the original purpose of the cost-sharing agreement which was to allow municipalities who were inundated by exceptional costs over and above those which they could possibly be able to budget for to share and distribute those costs that they had incurred fairly and equitably over the province when costs got to certain levels or over the nation as a whole when they got to the second level.

The effect of this downloading is simply, Mr. Chairman, that those communities most affected by flood, fire or other natural occurrence would be not only the profoundly most affected in the first instance by the

disaster itself but would now be asked to incur the major burden of the costs as a consequence of those events. This is unfair, and this departure from precedent on the part of the federal government is totally unacceptable to me and totally unacceptable to my colleagues in government, and I know totally unacceptable to the members on the other side of the House. We have written the federal minister repeatedly. His response has been to ask for more information. We have supplied the information, and his response has been to ask for more information. We have supplied further information, and in the last form it was over a thousand examples of precedents where the federal government has allowed cost-sharing to occur when municipalities were forced to use their own staff, machinery or equipment in doing repairs or in pre-emptive work to lessen the damages caused by these types of occurrences. The response from the federal minister was to ask for more information.

All of us around this issue grow very weary of the stonewalling that has occurred by the federal government. We recognize that the most capable level of government to respond to disasters and to the circumstances around them, to reduce the damages that may occur, to mitigate those costs to the taxpayers of our province and country is the local level of government, and this was never more clearly evidenced than during the recent flooding. The reality is, however, that it appears the federal government is attempting to reduce its costs on the backs of victims of flooding and fires, and this is unacceptable.

\* (0920)

We have received the support of municipal organizations. In regular consultation with the Union of Manitoba Municipalities and MAUM they have told us they are unanimous in support of our position that the federal government return to a fair and reasonable and well-precedented arrangement whereby municipalities had more latitude in terms of how they managed in these disastrous circumstances. They have both passed, unanimously, resolutions to that effect and have forwarded these resolutions to federal officials. The Federation of Canadian Municipalities as well has passed a resolution in support of our position, and I must say, Mr. Chairman, that I am deeply saddened by the response or lack of response by our federal members of Parliament. They have taken the position that there has been no change in federal government practice. They have

communicated that to me, and they have communicated it to Manitobans through letters to the editor and various publications around the province which state that their position is that no change has taken place in the federal interpretation of the disaster cost-sharing guidelines.

When that position was made clear, when the written position of the federal government was read last fall to the Union of Manitoba Municipalities gathering at the Westman Centennial Auditorium, representatives elected and accountable representatives from all across this province laughed because they know that the position of the federal government is one that is dramatically a departure from previous well-established arrangements that they have come to trust, and they too are deeply disheartened at the lack of support from elected members to Parliament from their areas.

Another side of this issue, and one that I have expressed in writing to the federal minister is something which I would wish to bring to the attention of our colleagues on the other side of the House and to you, Mr. Chairman, and that concerns the issue of evacuations. I feel a strong sense of urgency around this issue. We have fire conditions in northern Manitoba that are not radically different from last year, and last year, as members of the committee will know, there were major costs incurred as a consequence of fires in the north of our province.

When evacuations occur, Mr. Chairman, it is done only out of a sense of protecting the lives of the people in the affected area. When communities in our province are gracious enough to act as hosts for evacuated communities, we deeply appreciate the sacrifices that they make at the community level and that their citizens make, and I want to go on record as thanking those communities who have acted as hosts of evacuees in the past. But I must tell you that because of the changes in the federal government cost-sharing practice, we have a disparity, or an unfairness that exists now in terms of evacuees that deeply concerns me, and that is this: if a community was to be asked to host an evacuated aboriginal community, they would be fully compensated under the Department of Indian Affairs and Northern Development policies. If, however, they were asked to host a non-native community that was evacuated, they would not be allowed under current federal interpretation to cost share, if they use their own staff, if they use their own machinery or equipment.

This is a ridiculous contradiction, a ridiculous situation to exist, because what it essentially does is it creates two classes of Manitobans, both equally threatened by the fires around their communities, and it creates a necessity in the minds of municipal officials, who are elected and accountable to their ratepayers, to consider the cost consequences of hosting these communities who are in danger.

If, for example, I use the situation in Portage la Prairie last year where Portage la Prairie was given less than two hours' notice of a desire to evacuate Gods Lake Narrows, and Gods Lake Narrows being in danger and close to a thousand people needing to be evacuated from that community, we needed the co-operation of another community to host those people. Portage la Prairie responded, and they responded with less than two hours' notice and said, yes we will help these people. They were evacuated to Portage la Prairie and the people of Portage la Prairie, volunteers many of them but many of them city personnel, worked effectively to provide a home for a vast number of people. When you consider that that is an increase of almost 10 percent in the population of the community, that was a tremendous undertaking.

Now the reality is that the City of Portage la Prairie knew, going into that undertaking, that its costs would be covered by the Department of Indian Affairs and Northern Development. But now, Mr. Chairman, as it comes to light that the federal government is changing their practices under the disaster cost-sharing guidelines and disallowing the use of municipalities' staff, machinery, equipment and so on, which is often a considerable portion of the claim, what would Portage la Prairie say this year if they were asked to host a non-native community such as Leaf Rapids? What would they say? I cannot begin to tell you what they would say. That is not in my purview to say, but I can tell you that they would have to seriously consider what costs they would incur for their ratepayers if they were asked to host a non-native community.

So there is a contradiction here, and I have notified the federal minister. I have asked for a response over now close to two months ago, and I have yet to hear word back from David Collette on this issue.

(Mr. Ben Sveinson, Deputy Chairperson, in the Chair)

Certainly, the minister has other issues that he is currently dealing with, and I gather from the lack of response to my particular issue that he may be preoccupied with those other issues. But the reality is that, of course, all members of this Legislature are deeply concerned and have as their primary concern the best interests of the people of our province, their safety and the protection of their property, and this issue I bring to the attention of my colleagues from the New Democratic Party because I know it is something that they will express a concern for. In particular, I know the member for Flin Flon (Mr. Jennissen) has, in his community's experience, his community has acted as a host for evacuated communities and at times has been threatened with evacuation, as well. So these situations are very real ones, and I do not want to see a circumstance arise in our province where host communities are asked to incur costs when they are Good Samaritans and they are acting in good will, and they are acting as hosts for evacuees. They should be fairly compensated and fully compensated for so doing.

So I raise this issue with my colleagues in the committee as something I want them to be aware of, and I am hoping, very hopeful, that our federal members of Parliament will wake up to this issue and to the other issues I have raised in terms of cost-sharing and fairness and begin to truly try to represent the people of their constituencies to Ottawa, rather than representing Ottawa to their constituencies.

Mr. Chairman, these Estimates will stand on their own solid economic ground. I want to thank members of my department and staff, not only who are here today, but certainly all our staff throughout the department for the contribution that they have made not only to the functioning of our department but in the larger sense to the best interests of our fellow departments and the best interests of all Manitobans. I also want to thank them for the hospitality with which they have made my responsibilities as the minister of this department that much easier to perform and a pleasure to perform.

In closing, I am of the understanding, Mr. Chairman, through discussion with my friend the critic, the member for Elmwood (Mr. Maloway), we will not be proceeding in the order of the Estimates specifically, but I am of the understanding we will be concluding in approximately two and a half hours time. Just for the benefit of staff, I

would ask the member if we have agreement on an approximate time frame today.

**Mr. Deputy Chairperson:** Order, please. We thank the Minister of Government Services for those comments. Does the official opposition critic, the honourable member for Elmwood, have an opening statement?

\* (0930)

**Mr. Jim Maloway (Elmwood):** Thank you, Mr. Chairman. Given the time frame that we are operating under today with only two and a half hours to go to cover the Estimates of this department and the possibility of other colleagues of mine coming forward to ask questions in other areas such as disaster assistance and EMO, I will dispense with making an opening statement so that we can proceed to ask questions in this department.

**Mr. Deputy Chairperson:** We thank the critic from the official opposition for those remarks. Under the Manitoba practice, debate of the Minister's Salary is traditionally the last item to be considered for the Estimates of the department. Accordingly, we shall defer consideration of this item and now proceed with the consideration of the next line. Before we do that, we invite the minister's staff to join us at the table, and we ask that the minister introduce his staff present.

**Mr. Pallister:** We have joining us at this time Deputy Minister Hugh Eliasson, and director, assistant deputy minister of Administration and Finance, Bryan McTaggart. Welcome, gentlemen.

**Mr. Deputy Chairperson:** We thank the minister. We will now proceed to line 8.1. Administration (b) Executive Support (1) Salaries and Employee Benefits, page 65.

**Mr. Maloway:** I believe it is the will of the committee to allow us the flexibility to ask questions anywhere within the Estimates rather than following point by point, or section by section.

**Mr. Deputy Chairperson:** I am told that is the wish of the committee and that that has been discussed already.

**Mr. Maloway:** I would like to begin by asking the minister some questions regarding the riots, about the riot

situation at Headingley. Now the Attorney General (Mrs. Vodrey) and the minister were on the scene shortly after the riot, I believe, and it was the Attorney General who made quite a production of the fact that this damage was going to be cleaned up by the prisoners. I do not know where the minister sat on this issue at the time. I understand he was there with her, although he was not on the national news with her. I would like to ask him whether he was aware at that time of the limitations as to how much of this damage could be cleaned up by the prisoners.

**Mr. Pallister:** I think every Manitoban was disgusted by the events that occurred at Headingley facility, and certainly in touring the facility on the Saturday following the riot, I have not been exposed personally to that kind of human degradation and violence in a direct way as I was at that time. The behaviour of those men in that circumstance is just totally unacceptable of course to all of us, all members of this House, but certainly all Manitobans, and the manner of disrespect in which they treated one another and certainly in which they treated the staff at the facility was something that was abhorrent to me personally, and I know to the Minister of Justice (Mrs. Vodrey).

I think, very likely, in the larger part, I would say that most people in Manitoba, in a general sense at least, would agree with the idea we were all raised, I think, with certain fundamental truths, one of those being that if you make a mess you should clean it up. I think that was probably the basic premise and the basic assumption which was at work in my mind at that time, and I cannot speak of course for the Minister of Justice, but I expect it would be common sense to want to see reparations done by those who caused the damage. That is an understandable thing, and I think that is quite honourable, quite defensible.

The member asked the question, though, and I want to answer that question directly about, did I know at the time what limitations would be placed on the inmates' ability, I believe, to do cleanup? You know, I think that is a difficult question to answer. I suppose one often approaches issues in an ideological way. I hear that frequently in comments from members on the other side of the House. I think the purity of an idea, though, is often interfered with by the realities of life, and this is a good example of that. The realities of the inmates who

did the crime of damaging the facility doing the repairs are—in retrospect, there are very real obstacles to that, some of them understandable and acceptable to me and some of them questionable, but nevertheless they are there, and they are unfortunately in the way of mitigating costs to Manitoba taxpayers who are in part at least the victims of this kind of event.

When Manitoba taxpayers are asked to pay for the repairs to a facility that they had already provided to these convicts as a consequence of their criminal activity, they are victimized not only by the crimes of the individuals but they are victimized by absorbing the costs of housing those inmates and, thirdly, they are victimized by the reparation costs that are made necessary by the disrespectful conduct of those inmates who were in that facility. They are victimized yet again, and I think every one of us would like to work from the general assumption that victims of crime should be our first concern, and our first concern in this instance, apart from those immediately victimized as a result of violent behaviour such as the staff there, would be to reduce and mitigate the damage done to Manitoba taxpayers as a consequence of this kind of behaviour.

That, I think, was what was in the heart of the Justice minister and I know in my heart at the time, and it remains there. As a minister in charge of the facility itself as far as the physical plant operation is concerned, I will endeavour to have the inmates do whatever possible work they can do to reduce the costs that the taxpayer would have to absorb. If we can do that effectively, we will continue to make our efforts in that direction. Then I think the taxpayers in Manitoba will get what they deserve in the sense of fair treatment from the government and from our department.

**Mr. Maloway:** Mr. Chairman, would the minister agree in retrospect then that perhaps it was a mistake to have promised, to have made the promise, that the prisoners would do the cleanup, when in fact it could not be done?

**Mr. Pallister:** No, I do not think I would agree with that.

**Mr. Maloway:** Mr. Chairman, well, you know here we have the problem. We have a case of the minister and his colleague basically misleading the taxpayers, misleading the public, grabbing an opportunity to make some

Brownie points with the public, saying something that the public wants to see done and then having to double-clutch and backtrack very shortly thereafter to the point where it has actually become a farce. There has been no cleanup by any prisoners at the prison. There was no action on the part of the prisoners in the weeks after the riot to clean up anything. Now, is that, or is that not a false promise on the part of the minister and his colleague the Attorney General?

**Mr. Pallister:** Well, I will respond in a couple of ways to the member, and I am surprised at his comments, frankly. In the first instance, as far as attention grabbing, it is my understanding that the member's own colleague, the critic for Justice, the member for, is it St. Johns (Mr. Mackintosh)?—was part of a briefing that the RCMP conducted, of which one of the aspects of that briefing was that during the riot it would be advisable to abstain from media contact out of a fear, I think legitimately, that the RCMP had that—

\* (0940)

### Point of Order

**Mr. Maloway:** On a point of order, I believe our critic for the Justice department, Mr. Mackintosh, the member for St. Johns, has debated this abundantly in the department Estimates and he has shown without a doubt that there was no agreement in place.

**Mr. Deputy Chairperson:** Order, please. The honourable member for Elmwood does not have a point of order. It is a dispute over the facts.

\* \* \*

**Mr. Pallister:** Mr. Chairman, as I was saying, I think the member alludes to attention grabbing, and I think it is something that he does recognize that the conduct of his critic during the Headingley riot, during the riot itself, in terms of going to the media, seeking, in fact, media attention, would be something which I would hope he would characterize as a mistake, as a tremendous error in judgment, something that I would say—he uses the phrase “attention grabbing,” and I would say that would very adequately describe some aspects of the behaviour of the critic, the member for St. Johns (Mr. Mackintosh), in this instance. There are other words that would describe this

behaviour as well that I will not use, Mr. Chairman, because I know they would disturb you.

But the reality is that type of thing shows a deep disrespect for the people whose lives were in danger at that point in time and a deep disrespect for the families of the inmates, of the guards who were working, of the staff who were working onsite, and of the RCMP officers that were involved in that riot. Tremendously dangerous and ill-advised behaviour on the part of the member, and when he talks of attention grabbing, there is no question that that phrase would adequately describe, at least in this forum, I think, the behaviour of the member for St. Johns.

As far as his statement that no work has been done by inmates of Headingley, that is an error in fact, and it is unfortunate that he would not be aware of that. Certainly, I am willing to have my department make available to him more detailed information on the work that the inmates have done. The reality is that inmate crews have, to date, or will be washing down cell blocks on each of the levels. I recently toured the facility and observed the actual work that the inmates have been engaged in, initially removing restoration and construction dust, preparing areas for painting, actually having done painting of the cells, the range walkway areas, and, in speaking to the superintendent of the facility, he outlined to me further plans for inmate involvement in final painting of corridors, common areas, repair and restoration of salvageable furniture, millwork.

I should mention to the member, by the way, that these are things that were not undertaken, to our knowledge, by any other facility that has been victimized by this kind of behaviour in the past. This is an innovative and aggressive pursuit, a change in policy, if you will, that is being pursued, and the reality is that inmate labour will mitigate the cost to the taxpayer. The member alludes to initial cleanup; initial cleanup was not, as he knows, done by inmates. There were good reasons for that, and I think the member's colleagues have actually, if I am not mistaken, raised some of those in the House: the danger posed to the inmates, the danger posed to guards because of the inmates' exposure to certain items which could be used as weapons. These types of things are legitimate concerns, and the safety, of course, of the guards and staff there is of concern to our government, as is the safety of the inmates who are there a concern to us. So those were legitimate reasons, and I am sure the member is not

advocating that in retrospect the inmates themselves would be asked to do retributive work that would endanger them or endanger the staff just out of a sense of trying to appear to be doing something with the inmates.

What we are trying to do is have the inmates provide labour that is appropriate and reasonable, given the circumstances and given the reality that we have to be concerned with the safety of those inmates themselves, of those staff that are at the facility. I should mention also that the inmates will be involved in repairing and restoring any furniture that is salvageable, millwork, these types of things, repair of the landscape damage that was caused because of the riot itself, because of the emergency vehicles, construction vehicles that were on the property.

The scope of work is perhaps, part of me says, it is too bad that we could not mitigate all of these costs to the taxpayer, that 100 percent of this damage and these costs could not be born by the people who caused the problem, and I think the member would agree that that is too bad that we cannot do that. But the reality is we have to have the facility ready to house inmates, and we have to have it ready fairly quickly, and we want to do that and at the same time mitigate, wherever reasonable, the costs to the taxpayer, lessen those costs. That is what we are doing in a real way, and I think that is a worthwhile and honourable endeavour on our part. Our department is co-operating with other officials in government departments, co-operating with the staff at the facility and working together to look for every opportunity to use the inmate labour that is there, very little of which, frankly, is skilled enough to do some of the major work that is required, but wherever possible use that inmate labour in a way that will reduce the costs to the taxpayers of Manitoba. I would hope the member would encourage and support that rather than trying to find fault in that particular area.

**Mr. Maloway:** Mr. Chairman, could the minister give us an idea of the type of work that the inmates normally do over the course of the time they are in the prison? What is the type of work they would normally do when there is no riot?

**Mr. Pallister:** I hope the member is not implying that a riot is a make-work project for inmates. I am afraid that could be derived from his statement. The reality is that it is the scope of the work that is being done that is the

real issue here. When we have a situation like this, as the member knows full well, this without question is the worst riot in the history of the province. It is something that has never occurred before. It is unprecedented. The level of work that is required to repair that facility far exceeds anything that has ever been required in the past in terms of the capital investment to the facility itself, apart from the initial construction which I suppose in present value dollars would have been more expensive than these repairs, but that is about the only thing that would be of a larger cost undertaking. So, once again, though the member is trying to make the point that, yes, these gentlemen paint sometimes anyway, the reality is that in this instance, with the magnitude of the painting that is required, if we can utilize inmate labour to paint the whole facility, which is essentially—in a large part that facility was gutted—and so to have the inmates do the painting on that scale, it has never been done before. The inmates have never been involved in a project of that magnitude.

They are involved now in a large part wherever possible, and that will increase, in fact, as more numbers return to the facility itself. I am told that there are inmates, I think, being returned to the facility today, and that those inmates will also be engaged in doing repairs. You know, the member takes the position, perhaps not the member but some of his colleagues do take the position that the work that has been done to date is trivial. But the member has to recognize there are ongoing activities at that facility in terms of work that the inmates do that have to be continued, and there are not big numbers of inmates at the facility right now because it is not suitable for occupation. As the numbers increase and as more inmates return to the facility, more will be able to engage in restoration work and more will be expected to do just that. I expect to see the cost savings to the taxpayers increase as a consequence of that fact.

**Mr. Maloway:** Mr. Chairman, will the minister confirm that the prisoners at this facility have always been involved in painting projects? They have always been involved in removing dust and washing cell blocks, the furniture salvage. This would be a normal type of activity for the prisoners. The fact of the matter is that the ministers collectively seized an opportunity here and tremendously misrepresented what in fact could be done, and I do not hold this minister as responsible as the Attorney General. I make that very clear from the

beginning. It was not this minister that I saw on national TV promising that the prisoners would be put to work immediately to clean up the damage, and that is what she promised. Now, does the minister stand by the Attorney General on this matter? I do not think he does.

\* (0950)

**Mr. Pallister:** I would say that, frankly, anyone who supports the idea of reducing costs to the taxpayers of this promise, I will stand with them. It is very easy for the member to sit back and be critical of that kind of intention on the part of the Attorney General, but I do not see that as being something that I would applaud.

Behaviour like that is—it is easy to criticize, as the member knows. It takes no skill. I have been fortunate to travel a bit and have been to 22 different countries in the world now and toured each of them fairly extensively, and I have yet to see the statue of a critic anywhere, because it just takes no intelligence at all. The reality is that the member's intention and mine, and I would hope that members opposite would see the genuine desire here, is to mitigate the costs to the taxpayers of this province. The reality is that that is occurring every time that an inmate provides labour as opposed to contracting it out to someone outside of the facility.

Given members' recent opposition to contracting out services in another department of this government, I would hope they would support our attempts to use services inside the facility as opposed to contracting out in this instance as well.

**Mr. Maloway:** What steps are the minister and this government taking to prevent future riots of this type?

**Mr. Pallister:** Well, I think that question is probably a little bit better put in another department than this one, but I suppose we could talk about some of the improvements that we are doing on the capital side—a number of improvements to the facility, given the opportunity that this unfortunate event has created for us to make some improvements in terms of the safety features around the facility. I think we could probably allude to some of that.

We are installing an electro-mechanical locking system. Some of this, by the way, I should mention to the

member, and this is something you may not be aware of, but some of these projects had already been underway at the time of the riot. So we are just basically using the opportunity that is presented to us here because of the riot itself to move these projects along, you know, aggressively. Range dividers are being installed. Improvements to the guards' posts, stations—I am not sure if I am using the correct terminology for the member, and I apologize if I am not. Strengthening internal doors. Hardening conduit.

There is an interesting thing that, as I was touring the facility the other day, was brought to my attention. Apparently, as the pipes go between floors, inmates will frequently create a space around those pipes and do what is called kiting, flying kites to one another on different levels. So, for example, if the guards are doing an inspection on one level, the inmates on that level will float a kite down to the next level, let the fellows downstairs know that the guards are coming. So we are using the opportunity to seal up some of the rat holes in the facility, if you will, and make security more effective in that respect.

But, of course, as the member would expect, I would confine my remarks to the physical plan improvements because that is in the purview of this department. There are other examples if the member is interested in pursuing this.

**Mr. Maloway:** I would like to ask some questions about the Fleet Vehicles SOA and the program that the government has been involved in.

**Mr. Pallister:** Mr. Chairman, we are being joined by Mr. Dennis Ducharme, who is just a pretty average golfer, and is also the Chief Operating Officer of the Fleet Vehicles special operating agency.

**Mr. Maloway:** I would like to ask the minister initially whether he or the government has had any offers or proposals for the purchase or takeover of the Fleet Vehicles Agency.

**Mr. Pallister:** I am sorry. Could the member repeat that question?

**Mr. Maloway:** We have always taken the position that these special operating agencies were potentially just a

step along the way to eventual privatization, and I am wondering at the outset whether the minister could confirm that there have been any representations made to him or the government regarding possible private involvement in that operating agency, whether a complete takeover or a winding down of the agency in favour of private sector activity?

**Mr. Pallister:** Just to back up for a second. The member may be aware that with the development in Manitoba, aggressive development of special operating agencies, we have seen an attempt on the part of this government to establish, let us say, a small business mentality or philosophy within government departments, initially, of course, Fleet Vehicles being our first SOA. The intention was to try to improve cost accountability, to try to improve service levels, and certainly I think that the results speak for themselves in terms of the positive response certainly by the management staff to the challenges and a positive response in terms of the degree of client satisfaction that has been derived from those changes.

The objective of all our special operating agencies is essentially, I guess, to be the service provider of choice to our customers and, though our customers are not in the private sector, our customers are other publicly funded agencies or other departments of our own government, nevertheless, the principles of supplying customer satisfaction are the same and the desire to do the best possible job we can remains the same.

The member asks about selling the Fleet Vehicles Agency. I guess he should recognize that optionality in terms of our customers having the opportunity to gather the same or similar services elsewhere is a reality now. Certainly for the seasonal vehicles, that optionality has existed in recent months and, though there have not been examples that I could give the member where government departments have chosen to use other providers, they do have that option. And I think the reality of optionality is that it makes us aware in our department of the compelling need to be competitive in what it is that we do in terms of quality of service, in terms of price of service and so on to do our very utmost to make sure our customers are satisfied and, though they would have the option to deal with others, choose to deal with us.

Optionality for long-term leases would come into play this fall, and perhaps at a subsequent Estimates dis-

ussion we would be able to better evaluate what degree of private sector involvement was occurring, if any, in terms of supplying the services that we now supply through the Fleet Vehicles Agency.

**Mr. Maloway:** The minister is making reference now to optionality, and he said it is a recent development, and then he made some reference to it beginning in the fall. I would like the minister to be a little more specific about when this new concept got approved and just where it stands right now. Was there a regulation change to allow this or did the minister just wake up one morning and decide that this was a new and good idea?

**Mr. Pallister:** There was an evaluation done of the Fleet Vehicles Agency after three years of performance. Being the sort of standard bearer for the special operating agency, it has certainly been subject to a great degree of evaluation and assessment over that three-year period, so I do not want the member to assume that that was the only evaluation that was done of the Fleet Vehicles Agency, but there was a very detailed assessment of the performance of the agency done. From that assessment, came the recommendation that optionality would come into play. I was not as specific as the member would like, I gather, from my previous comments. I will say that since April of this year, optionality for the seasonal vehicles came into play, and I was referring to, when I said August of this year, the longer-term leases.

\* (1000)

**Mr. Maloway:** Mr. Chairman, would the minister agree to provide for us a copy of this evaluation?

**Mr. Pallister:** We could provide that to the member, certainly.

**Mr. Maloway:** Mr. Chairman, when might that happen?

**Mr. Pallister:** When it might happen is when we have a copy made available to us. I cannot assume, however, that would happen this morning, but we can endeavour to make it available to the member before I become a father again.

**Mr. Maloway:** Well, thank you, Mr. Chairman, but at the rate that process is dragging out, it could be an awfully long time. I will say at the outset that in my ten

years here, this minister, of all the ministers I have dealt with, certainly probably has been the best in terms of getting back with information. There have been some pretty terrible horror stories of ministers promising things and then just conveniently forgetting to provide the information and a whole year or more would pass, hoping, of course, that I would forget. That is a common tactic.

### Point of Order

**Mr. Pallister:** Just on a point of order, Mr. Chairman, I think it probably is illustrative of how badly I need a compliment that that would actually touch me, that the member would compliment me, but I do not think it is appropriate to heap criticism on any predecessor of mine as a consequence of the openness of this current department's policies.

**Mr. Deputy Chairperson:** The minister does not have a point of order.

\* \* \*

**Mr. Maloway:** I just wanted the assurance of the minister that this particular study would be provided within the next day or two. That is really all I am looking for.

**Mr. Pallister:** I believe I have made something along the lines of a commitment in that regard.

**Mr. Maloway:** Mr. Chairman, can the minister then tell us who performed this evaluation? What were the parameters? How long did it take, and what did it cost?

**Mr. Pallister:** I will back up just a little for the edification of the member and say that the intent of this evaluation was to address long-term strategic issues to help guide the agency through its further phases of development and maximize performance levels. The main objectives were to evaluate Fleet Vehicles' effectiveness since their inception, to assess the effectiveness of the special operating agency reforms as they apply to Fleet Vehicles Agency, to review strategic issues critical to Fleet Vehicles' long-term success, and to recommend future direction for the agency. The evaluation was conducted by the Department of Finance's internal audit group under the direction of a steering committee which had representation from the Treasury Board Secretariat, the agency itself and the agency's

advisory board. Attributes from the Canadian Comprehensive Auditing Foundation's effectiveness framework were used as a focus for the evaluation. This review—and the member will be provided with a copy which will provide him with more detail than I will here—determined that the SOA initiative had resulted in a more businesslike operation that concentrates on client service, which I think is a very, very complimentary observation and a tribute to this government's foresight in terms of its structural approach to managing the services of not only this department but of other services within government.

This specific audit group determined that the agency is managing the ground transportation needs of government in an economical manner and that it has met many of the expectations placed on it.

I would also observe that staff should be commended for the degree of success. Any degree of success that we have had has only been as a result of the staff. Their attitudes to these changes in structure and the real changes that have occurred within the fleet vehicle operation have been positive ones overall and certainly very integral to any success that we have or will experience in future.

**Mr. Maloway:** Mr. Chairman, how is this decision communicated to the people involved? Was a memo sent out or a letter sent out telling the people that they could take leases out on their own?

**Mr. Pallister:** The member is correct in his, I believe, insinuation that, yes, each department was notified of the optionality. This was something that is not a new thing. Any of the staff in the various departments were aware from the inception of the Fleet Vehicles Agency as a special operating agency that it was the intention to move to a situation where optionality would in fact exist. So it is not, frankly, a new development, but in terms of communicating the availability of optionality to those departments who utilize the services of our Fleet Vehicles Agency it was communicated to each of those departments.

**Mr. Maloway:** Mr. Chairman, was a similar letter then sent to the industry who would, obviously, have an interest in providing quotations for this business?

(Mr. Peter Dyck, Acting Chairperson, in the Chair)

**Mr. Pallister:** Mr. Chairman, the industry, in terms of the industry's input, had representatives who provided input into the process of developing a tender which was in partnership with the Purchasing branch developed which could be utilized by those client departments that wished to tender out services. So the industry was not only aware of the availability of optionality and the potential benefits that could be derived to them, but it was also involved in creating a structure whereby they could be involved and which would allow client departments to effectively prepare their tender for services.

**Mr. Maloway:** Could the minister endeavour then, when he provides us a copy of the study that was done, to also include any notices to the industry, or notices to the current clients of the Fleet Vehicles Agency? In other words, presumably there is a letter to each group there, and I would just ask him to include that with the evaluation that was done, a copy of the letter.

**Mr. Pallister:** Yes, we certainly will provide that information to the member for Elmwood.

**Mr. Maloway:** Since this program then has just become effective for seasonal vehicles in April, presumably April 1—by now it is almost two months—how many of the current Fleet Vehicles Agency customers have in fact leased private vehicles, or vehicles from private companies?

**Mr. Pallister:** For short-term needs, such as a day or two, departments have occasionally used vehicle rental companies when the agency was unable to supply the type of vehicle required, or when the agency's rate was higher, which I think is understandable. This option, however, is not new. This option has always been available to departments.

For seasonal needs, here we say three to five months, departments were given the ability this year to solicit bids, and at this point in time each of our customers has chosen to continue doing business with our Fleet Vehicles Agency. At this point in time, none of our customers has left us for a competitor.

**Mr. Maloway:** So the retention rate at this point is 100 percent, but it is possible—or well, certainly, it is more than possible—that we are going to lose some of your customers over the next year.

**Mr. Pallister:** Well, that is speculative.

**An Honourable Member:** Of course.

\* (1010)

**Mr. Pallister:** I would say that is probably less likely than that the member's political party would lose representation after the next election.

**Mr. Maloway:** I read over the review of the Fleet Vehicles Agency, and I would like to know the list of the customers. I guess, I would like to know whether Manitoba Hydro, for example, is a customer of the Fleet Vehicles Agency.

**Mr. Pallister:** In a small way, Manitoba Hydro, the example the member asked about, is a customer of our department. We do some maintenance work for them, but not in terms of providing lease services to them at this point in time. Though the member should know that our Fleet Vehicles Agency, as with other of our special operating agencies, is becoming more, perhaps a little more aggressive than may have been the case in the past in terms of marketing our services to other agencies, particularly of course Crown corporations, and the MASH sector, municipal, academic, social services, and health sector as an example of that.

So that the member is probably correct if I interpret his question correctly. He is suggesting that we may be developing new customers in the future, and I think that maybe is a good assumption on his part.

**Mr. Maloway:** Well, with that in mind then, has the number of vehicles decreased or has it increased from last year?

**Mr. Pallister:** Year over year, in answer to the member's question, total vehicle size of our fleet is largely unchanged. Within that, however, there are some changes of a minor nature, and those would involve the number of seasonal vehicles, which has somewhat increased, and the number of total long-term lease, I do not know if I am using the correct phrase here, but permanent-assignment vehicles, which is down somewhat, but the two have largely offset one another, so that the total size of the fleet is 2,242 vehicles, both last year and projected for this year's fleet size as well.

The one caveat I guess I would add to that is the potential which the member alluded to before for new clients, and if we were to, for example, take on a new client, then there may be the need for additional fleet vehicles to be brought in to therefore increase our fleet size above what we project.

**Mr. Maloway:** I would like to ask the minister about the arrangements that he has for providing fuel for the fleet. There is a provincial government garage. It does purchase gasoline for use of the fleet. I would like to ask him, what has happened to his fuel costs over the past year relative to what they were the previous year? Does he have any stats on that?

**Mr. Pallister:** Yes. In terms of the cost of fuel itself, as the member may be aware, that is something that has gone up over the past year so that the actual cost of fuel, in the short answer to his question, would be, yes, there has been an increase in the cost of fuel. But I think that just to stop my answer there might create a bit of an inaccuracy, and I want to clarify a couple of things. First of all, the fleet does not purchase fuel per se for its customers. Although it does operate an above-ground storage tank, that is essentially just for the fuelling of vehicles in transit that have come over for servicing or, for example, pool vehicles and so on but, in terms of the actual fuel that is purchased, the most significant amounts of fuel are purchased by the operators of those vehicles, the lessees of the vehicles, who would purchase them from the agency they chose to use.

(Mr. Deputy Chairperson in the Chair)

We do have discount arrangements with various fuel companies, with all the major fuel companies. I do not have those numbers right here, but I am sure we could get those numbers. Discounts range from 4 to 6 percent depending on the specific company, but I guess the larger issue in terms of fuel costs and how we are trying to contain those fuel costs is really the key here. I would say that the fleet has endeavoured to reduce the costs of fuel purchases made necessary by the operation of the fleet in a number of ways.

First, and most obviously, the size of the fleet itself has been reduced by about 500 vehicles; therefore, of course, there is considerable reduction as a consequence of that. There are other examples I could give the member of

improvements in terms of fuel, having the right vehicle for the job. I will read some examples from a recent Fleet Flash, which is a communications information vehicle that our SOA uses with its customers to inform them of various issues relevant to the operation of their vehicles and related topics. We can assist our clients in selecting the right vehicle, given an understanding of what their requirements are for that vehicle, to do many things, but one of those certainly is to attempt to reduce the fuel costs that they may incur, and to extend, of course, the life of the vehicle by making sure it is used in the most appropriate manner for the purposes intended.

\* (1020)

We also promote the use of pooled vehicles within and among departments, and the basic question, I guess, is, why have three vehicles if we can get away with two? This is one of the benefits of the cost recovery approach that we are using with our SOAs, that these questions are being asked by the departments before they choose to incur the cost. As well, we can supply what are called exception reports, which assist departments in monitoring any abnormal fuel consumption, and we can also as well, for the interests of the member, provide information on poor vehicle condition or poor driving habits. Those things can be identified, and therefore we can reduce fuel consumption in that manner.

We encourage the use of Mohawk gasoline. I believe I may be correct in this that Mohawk offers us the best discount as well, and we encourage the use of, of course, ethanol-added fuel. As well, the preventative maintenance program that Fleet Vehicles administers will assist in keeping vehicles well maintained. We encourage the use of mesh tailgates, wherever possible, and will reduce drag on the vehicles. There are other examples, but I think basically the member raises a good question. We are trying to reduce fuel consumption. Clearly reducing the size of the fleet is an important aspect of that, but there are other initiatives that the Fleet Vehicles Agency is pursuing in an effort to be, of course, the agency of choice and the service provider of choice for its customers.

**Mr. Maloway:** Well, then, what sort of volumes and what sort of prices does the government pay right now for the gas that it stores in the above-ground tanks down at the provincial garage? I am trying to get a handle on

whether or not the—I suppose I do not have a problem if the discounts afford a 6 percent means that the government is paying no more at local pumps than it is at a bulk rate down at the central garage, then we do not have any problem with that; but, if we are paying extraordinarily high prices at the pumps and we have an exceptionally low price out here at the garage, then we would have to take a look at that.

**Mr. Pallister:** Surely the member is not suggesting that government employees in Thompson drive down to fill up their tank.

**Mr. Maloway:** No, I am not suggesting that.

**Mr. Pallister:** Okay. I just wanted to be clear on that.

Just to continue in the fine tradition that the member and I have established of openness and compliance with his request, I will share with him the numbers at the risk of him misunderstanding and abusing the numbers that I give him.

The reality is that we do get a bulk fuel price for the above-ground fuel that we provide, which just the cost of the fuel per litre is approximately 45 cents. Now, when one compares that to, you know, approximately 60 cents at the tank for what he and I would pay on our own vehicles, that is a good value, there is no question. The price per litre varies among the major suppliers, and I will not propose to bore the member with too much explicit detail unless he requests that, but suffice it to say that our average price per litre is around 53 cents, that our leaseholders, if you will, pay, after the discount, retail.

Now, on the surface of it, the member may wish to pursue the idea that it would make sense for us to have all our, wherever possible, of course, within the city of Winnipeg as an example. He may wish to put forward the idea that our leased vehicles should be fuelled up at the Government Services operation for 45 cents. But the reality is that as the member needs to be aware, one has to factor in the costs of doing that over and above the cost of the fuel itself. The reality is, it would cost several hundred thousand dollars, I speculate here, for additional above-ground storage to be built. It would cost additional taxpayers' dollars to provide for the staff support necessary to provide that service. It would cost

additional taxpayers' dollars to have the vehicles required to be transported or moved from the site where they were to be used in the normal operation, day-to-day performance of their duties, that the particular leaseholder would be performing. There would be the time factor in terms of them having to drive from the area where they are normally performing a function on behalf of the taxpayers of Manitoba to the Fleet Vehicle Agency itself. When one factors in all those considerations, I think the member can see that the differential, although on the surface we are talking about approximately eight cents a litre, would very quickly get eaten up with the additional costs of making this fuel available at the site itself.

\* (1030)

**Mr. Maloway:** Mr. Chairman, where does the minister get the bulk supplies that the government gets at around 45 cents? What refiner supplies it?

**Mr. Pallister:** The current successful tender was Federated Co-op, but we tender, of course, annually in an effort to reduce the price.

**Mr. Maloway:** Mr. Chairman, which refinery does the fuel come from?

**Mr. Pallister:** I am not aware of that.

**Mr. Maloway:** Mr. Chairman, I would ask the minister then to check that out because it is possible that Federated would be getting it out of the Regina refinery, but there are two here, as you know, Shell in St. Boniface and Imperial, but I would be interested in knowing, having a bit of an interest in this area, just where they get this. Nothing would surprise me in the gasoline business.

Mr. Chairman, perhaps a friendly suggestion to the minister: I do understand his concern here about larger tanks being required and so on, but that is a considerable saving, I would think. Based on the consumption that the government is paying for right now, if it were to run its entire fuel costs at 45 cents a litre, how big of a saving would it be to the government? How much would the taxpayers be saving?

**Mr. Pallister:** Given the mitigating factors, which are very real ones, as I was pointing out to the member earlier, the reality being also that about 80 percent of our

fuel consumption is outside of the city of Winnipeg. The savings would be minimal at best if in fact there were savings, and I would speculate that there may not be. So it is very difficult to answer a question about savings when there may not be any.

**Mr. Maloway:** Would the minister then endeavour to perhaps send a memo out or, the next time they send a memo out to the customers, make the suggestion that, where possible, if they are driving by the government's garage, they gas up there, or perhaps just point out to them that there is an 8-cent-a-litre saving to the government to gas up there, and let the common sense of the civil servant prevail, Mr. Minister?

**Mr. Pallister:** I appreciate the member's positive suggestion. I can tell him that we are acting on that now and have in the past. We have encouraged the vehicle coordinators to advise each of their drivers of the availability of the fuel at a reduced price and do encourage in that way, but there is always a danger, I think, in terms of the area of customer service, to just make this general observation, in trying to direct your customers too aggressively. The reality is that they have been made aware of the potential savings, but, at the same time, we want to be the agent of choice and, given optionality and the reality of optionality, do not want to browbeat our customers for fear that they might choose to deal with someone who chooses not to.

**Mr. Maloway:** I would like to get into an area now that the minister and I have previously talked about, and that is the area of alternative fuel vehicles. The minister was endeavouring to get me a copy of an assessment that he has on a program that was run a number of years ago with the conversion of a number of Renault 12s in the '70s to electric use. The provincial government did buy some of these vehicles, as I recall, from Minneapolis, and I remember the day they paraded them around the Legislative Building here, back in '73. We thought that was a great new day for fuel savings and getting off gasoline. I think that is like 25 years ago, and we are still not there. So I recognize that this program has been a long time coming, but we know that there are some movements being made right now. So does the minister have that report?

**Mr. Pallister:** I can provide the member with a little bit of background. I think, just in terms of clarifying some

of the dates and so on, in 1976, the province purchased seven electric vehicles from Electric Vehicle Associates of Parma, Ohio, and one electric van from the Tronic Truck Corporation of Boyertown, Pennsylvania. The vehicles were purchased on an experimental basis, with the Department of Government Services testing three sedans and the van, and the Manitoba Telephone System testing one sedan, and Manitoba Hydro testing the remaining three sedans.

Tests were conducted over a two-year period, and the results were disappointing. For example, the vehicles did not measure up to their claim of 50 to 60 miles travel per battery charge. The warranties were not honoured by the suppliers. The heating systems did not function properly, given our climate. By the way, the heating systems operated on gasoline, and they could only produce minimal heat. So I think the member can see, even if the batteries had recharged, the drivers would have had to stop to recharge themselves, given the minimal heat in the vehicles. The battery systems method of recharging was poorly developed, which directly affected the limited distance per charge, and the vehicles eventually became inoperable and were taken out of service. Five of the sedans were disposed of by public auction in December of 1979, and the van was disposed of by public tender in June of 1980. The remaining two sedans were donated to the University of Manitoba engineering facility in February of 1981. Since that time, Fleet Vehicles is aware of some advances that have been made in electric vehicle availability and technology, and they are endeavouring on an ongoing basis to keep abreast of developmental changes in this area.

But I think the member can tell, very likely, just by looking around the streets of this city that, unfortunately, the advent of electric vehicles has not been something that we might have hoped it would have been 20 years ago, given the lack of electric vehicles flying around the city.

**Mr. Maloway:** Well, I thank the minister for that report, and if he could provide me a copy of that document too, that would be fine. Things have changed, thank goodness, over the last 20 years, and we have got to the point now where in fact we have Ford, Toyota, and Honda, all are planning production models next year. GM, in fact, is coming out with their model as early as,

I believe, August of this year, their first EV, with a truck to be available beginning of next year.

So obviously when the major auto manufacturers make a commitment such as this, I mean, what you have seen here is an enormous amount of money having been spent, at least for two years now with GM, enormous amounts of money being spent developing the product, and they have actually built the production lines. I believe the GM model is being built in I think it is Lansing, Michigan, and, as with any other new technology, there are certainly developmental problems. I can appreciate that, but there are also opportunities. There are opportunities for farsighted governments and quick moving operators to get in on the ground floor, and that is exactly what is happening here.

For example, these vehicles have been tested now in a number of cities in the United States. I can provide copies of the locations, but in Canada it has been in B.C. The government of B.C. moved very quickly in this area and they managed to convince GM to test five vehicles starting this summer in B.C., and they have an agreement, GM has got an agreement with B.C. Hydro.

So given that Manitoba has the Ford testing centre up in Thompson and given that if we, you know, if we do not move on this then maybe Saskatchewan will or Ontario or somebody else, I am just wondering whether the minister could work with the other ministers, I, T and T and Highways and so on, to approach the remaining car companies and make an effort to tie down as much of this new potential as possible because, once again, GM is committed to B.C. for the test, but Ford, and I do not know what Toyota and Honda are doing, but certainly I think that the government should be approaching these companies and offering testing facilities in Thompson. The mayor of Thompson is very interested. The minister probably knows this. There is some activity going on at the cabinet level, I believe, in Manitoba to try to expand the testing centre up in Thompson to not only include Ford but to include other manufacturers because, you know, there tends to be when you have one the others come along.

So there is a real opportunity here because emission standards both in B.C. and in California have mandated that certainly over the next five years it is not a question of if you are going to see these vehicles on the roads, they are going to be there. It is something that has to be done.

Now, I know these car companies are very interested in a fleet the size of which we are talking about here. Two thousand cars is exactly the size that they are looking for. I have talked to GM already, I have talked to Ford, and they certainly are interested in fleets of the 2,000 range. So if the minister would, you know, endeavour to look into this a little more, the opportunities are there. There are people in the province here who are interested in developing components, small companies are interested in developing components for these vehicles, and if we start now we may be able to get in on the ground floor of this, what promises to be quite an exciting new industry.

**Mr. Pallister:** I appreciate the member's sincerity in this issue. I think he raises some good points in terms of, you know, the potential for drawing economic development through research projects and so on to our province. I think the questions that, of course, from the standpoint of a fleet vehicle agency such as we are talking about here today, the questions that we have to answer in terms of the short term at least are, is this really an opportunity for improvements in the level of our service, is this an opportunity for us to be of better service at lower cost to our customers, and so on and so forth.

The issues of research aside, at this point in time, though, of course, on an ongoing basis our Fleet Vehicles Agency management is consulting with fleet representatives from various companies and, as a result of the member's questions today, will I am sure endeavour to do additional research. I do know as a result of the member's earlier enquiry that they have done certainly some research on this issue already.

Just for the interest of the member, I think it is, he points out that a number of companies have made these vehicles available or they will be available to the public. But in terms of our purchasing them for our fleet, he should know, for example, that the General Motors electric truck that will be the first one off the mark I believe in the '97 model year—the member for Elmwood may be correct in saying available this fall—

**Mr. Maloway:** The car is this fall and the truck is next, due in February.

\* (1040)

**Mr. Pallister:** Okay. In any case, the promotional material from General Motors may lead us to some

concerns about the relevance of that particular vehicle for our fleet for a couple of reasons. First of all, the truck has a driving range, it says in the promotional material—given the background information I have given the member I think that he can understand our concern about the promotional material not necessarily accurately reflecting the reality in terms of the vehicle. Not to question any of our suppliers, but the reality is that, the truth is that sometimes the material overstates to some degree at least the potential for use of the products that the promotional material is trying to put forward.

In any case, this particular truck has a driving range of 40 miles in the city, according to the promotional material, and 45 miles on the highway. Now, the member knows, I mean, given our reality in this province, that could be a difficulty. The second difficulty is, yes, you can recharge the system, but according to promotional material, it takes two and a half hours at 70 degrees Fahrenheit. You can see we can carry this one on to extremes, but I think you can see the difficulties there. Now those are similar claims to the claims that were made 20 years ago, frankly, in the promotional material at that time.

Obviously, it does not seem practical to have our government vehicles, and our drivers, stopping every 40 to 45 miles and then spending two and a half hours waiting for the batteries to recharge; that would be difficult, I think. Certainly, when these vehicles have been developed to the point where they could be economically used in a fleet operation, our agency, I am sure, will be approaching the client departments regarding the potential for their use.

The other aspect, of course, and this is not to cast aspersions to the member for his suggestion at all; I do not want that to be misinterpreted. The member is looking at an innovative idea and we all encourage that kind of thinking, but the reality on this one is that, for example, with the prices that we have been quoted thus far on GM's electric truck, we are talking about approximately \$45,000 for that truck. Right now, for a comparable half-ton, our supplier this year, I believe, was Ford and the cost of the vehicle was about \$15,000. So in a cost-conscious operation, and I think we are seeing a greater degree of cost-consciousness across this country in public agencies all the time, it is a difficult suggestion for me to commit to acting on.

But part of the suggestion that of the research and additional research, certainly that we can do, and additional research that we might be able to attract to our province, I would be happy to pass that on to my colleague the Minister of Industry (Mr. Downey).

**Mr. Maloway:** Mr. Chairman, I guess I would be happy if the minister would make a commitment. You know, he has 2,000 of these vehicles, make a commitment to buy a half a dozen of each model every year and test them out and find out just where they can be used. I mean car makers do not go to the efforts that these people have done through the research and the development. There has to be some testing done of the vehicles in real-life situations, and what the car companies want to do is they want to get into little partnerships with fleets such as the minister's to find out what the shortcomings are and use the vehicles in real-life situations.

For example, conversion vehicles, which is what those old vehicles were 20 years ago—and I guess there are still some around—have been proven to be not as effective as a vehicle that is built from the ground up as an electric vehicle. In other words, I have spoken to some engineering people, and they claim that the battery life and stuff of the current batteries that they have, the metal-hydrate types and even the lead-acid batteries that GM are planning to use, at least at the beginning, are not really the major problem here, Mr. Minister, and the actual cold temperatures are not necessarily the most severe problems. The real problems with this technology, believe it or not, is wind resistance on the frame of the vehicle and the type of tires, the tire resistance on slush and stuff like that. So if they can develop a vehicle from the ground up using a different kind of tire technology and a different type of frame, then they have solved a lot of their problems.

People logically think that—the first reaction is it is a battery problem, and they are telling me it is not necessarily a battery problem. There is a lot more to be developed in this area, but we have to be looking at vehicles that are built from the ground up with this whole technology in mind, not just old production models of vehicles that have a bunch of batteries thrown in them. That is evidently, from what I can see, not the way to go.

Now, I do know in the United States the companies have tended to get into partnership with utility

companies, and that makes sense. The utility companies are interested with the high price of gasoline. I mean, this is in a way the revenge of the taxpayer on the gasoline companies. Manitoba not being much of a gasoline producer and being a hydro producer, we even have more incentive to get in on this type of thing.

I suppose if you were in Alberta relying on gasoline, you would not want to see the end of the internal combustion engine if you were living in Calgary right now, because it might mean a decrease in your standard of living. Manitoba, on the other hand, having no gasoline, being held hostage by gasoline producing jurisdictions but having tons of electricity should be in a very good position here.

But with the documentation I have in Canada, the GM people got involved with B.C. Hydro. So B.C. Hydro is evidently going to take some of these vehicles. They are planning to set up conversion stations and stuff. In the United States they are involved in Los Angeles with the Los Angeles department of water and power and southern California Edison. Then in Phoenix they are involved with another utility, New York, Long Island, San Diego, Sacramento, San Francisco, Fort Lauderdale, Atlanta, Houston, Washington, D.C., and Harrisburg, Pennsylvania.

So I think some aggressive action, not just limiting yourself to checking out the documents, I mean, I can get the documents too, but I do not have the facilities to actually drive the idea forward and buy some vehicles and use some vehicles. You people do. I do not. So I think you need to do more than just get the information.

You should also, perhaps, if you could take it up with your colleagues in caucus and cabinet, the idea that has been employed in California. That is a \$5,000, and as much as I disagree with tax credits for a lot of different things, they are offering a \$5,000 tax credit to the first I think 1,200 purchasers of these vehicles in California. In Arizona they have gone further, and they are offering I think in addition to some sort of a tax credit a reduction in the vehicle registration. When we were in Highways Estimates I took it up with the minister there, and he offered to take a look into it.

But clearly price is a problem, as the minister alluded to, when you are dealing with a product that is three times

the price of what you can buy these things for. It is easier when cost-conscious governments, it is kind of easy to go and say, well, let us just take this short term, and that is what it is, a short-term solution of buying the \$15,000 vehicle, and wait till the price comes down.

But we also have a responsibility to society and to leave a proper society for our kids. So there is a balance that we have to have here, and I have confidence that the minister and the government will in fact see merit in this and will be more aggressive than passive, because the consumers who are purchasing vehicles in my constituency, in Elmwood, they are going to be the last people to buy these vehicles.

The leadership has to come from governments. That is where it has to come from. And I am certainly not suggesting that you convert your entire fleet overnight, that certainly cannot be done, but certainly getting in there and maybe beating out some of the other jurisdictions here. We have the hydro. Beating out some of the other jurisdictions might prove to be beneficial to us in the long run.

**Mr. Deputy Chairperson:** I believe it is the will of the committee to take a five-minute recess.

*The committee recessed at 10:50 a.m.*

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**After Recess**

*The committee resumed at 11 a.m.*

**Mr. Deputy Chairperson:** Order, please. We will resume the Estimates of Government Services.

**Mr. Maloway:** I would like to ask the minister if he could tell us how many untendered contracts have been given over the last 12 months and whether he could provide us copies of them. I asked for this information in Environment and received copies within days, so I assume the same thing can be done here.

**Mr. Pallister:** Every two weeks, and this information is available on a computer system, I am told, in the library down the hall here, that we have to report every untendered contract over \$1,000. So that information is available on a regular basis. As far as the member's

request, I am just a little hesitant, and I tell the member for Elmwood this frankly, because this may involve a little more time than we generally like to devote.

I am not trying to exclude him from any information in any way, shape or form here, but this information is available through other sources. So if the member would like, apart from this discussion, more information on how to access the information through other means, it might just mean his investing a bit more time, granted, but it would mean probably a little less time for staff.

**Mr. Maloway:** I am aware that there is the other method, but I have asked in the other departments and have gotten the information without any difficulties. Will the minister provide the information that was requested?

**Mr. Pallister:** If the member is prepared to wait the two or three days it would take to pull it all together, then we will do that for him just as a sign of my personal affection for the member.

**Mr. Maloway:** The member for Flin Flon (Mr. Jennissen) has some questions and I think there may be some other critics in our caucus who may have some questions for the minister.

**Mr. Gerard Jennissen (Flin Flon):** Thank you, Mr. Chairperson.

**Mr. Deputy Chairperson:** Order, please. Could you pull the mike up.

**Mr. Jennissen:** I would like to ask the minister some questions on the Manitoba Disaster Assistance Board relating to the fires in Leaf Rapids last summer, basically, two areas.

One of them is, I need some more information exactly how this operates, because it appears to be somewhat inconsistent, at least according to the letters that I received; and secondly, maybe ask some specific questions on some specific letters I have received.

If I could put that into a little bit of a context, I am not sure what a disaster assistance board is for if not to assist disaster victims. When I get people from Leaf Rapids coming to me saying, I bought a trailer but I could not get insurance, there was a fire, the place burnt down, I now

have nothing, my kids have nothing, I have lost \$30,000 worth of an investment and yet I do not meet the criteria, then, you know, obviously, we have some serious concerns.

So I guess first of all, I am not clear about the guidelines, why some people received assistance, why some people received partial assistance, why some people received absolutely nothing. The answers that some of the residents from Leaf Rapids that were affected got back from the Manitoba Disaster Assistance Board were basically that you are not meeting the criteria. This stuff was insurable, but they tell me that, no matter how hard they tried to get insurance, they could not get it, and not only just buildings inside the town itself, but sometimes buildings outside the town. Could I have a general answer on this?

**Mr. Pallister:** I thank the member for Flin Flon. We have had earlier discussion as well on some aspects of, I think, what he is questioning us about today. In terms of the purpose of the Disaster Assistance Board and the compensation and so on, yes, it is a board that rules on availability of redress for certain types of damages and certain types of cost consequences of disaster.

Now, the member, in terms of defining disaster, we could get into that, I suppose, in detail, but suffice it to say that the conditions around Leaf Rapids last year, as he knows, satisfied that requirement in a general sense. But that is not to say that every claim that is filed in Leaf Rapids following a fire or as a consequence of a fire is going to receive the compensation that is requested on that claim form. Each claim is treated with respect and treated as an individual thing because they are individuals who are claiming. In this instance, I think the member is concerned about claims that were filed where—and he has shared with me—I think communication. We have also talked with some of the individuals affected directly, with the assistance of the member.

The issue that I think he is wanting to address specifically is where an individual has said that they could not get insurance, how come they are not compensated? I hope I am not misinterpreting the member's question. The fact is that it is practice, I am told anyway, of long standing in Leaf Rapids and other communities that during a fire insurance is not available. This is something that is not a new practice, I am told, but rather is something of long standing.

The analogy that some certain insurance agents have told me that they use when trying to encourage individuals to have the proper coverage is that you are best not to wait until there is a fire in your basement to have your coverage in place. This is essentially, I think, an analogy that is reasonably accurate in describing the circumstances here.

Now, I am not trying to address an individual claimant's situation here. I know the member would not ask me to do that. It is not appropriate for me to do, of course, but suffice it to say that it is, I think, very well known among residents in his constituency and in others that when a fire threatens a community, it is not on, to then at that time, having been uninsured for a long time or a short time, for that matter, to go and say, now I want insurance, any more than it would be appropriate for someone who had just had the unfortunate circumstance of knowing that they were terminally ill to go and say, I demand to have life insurance. It is not common practice with insurance companies, nor should it be.

The reality is, insurance coverage against fire is readily available in the member's community as it is in communities throughout our province, although recently there have been exceptions raised of concern in the inner city of Winnipeg that I think concern all of us. The availability of fire insurance in Leaf Rapids is not at issue here. That, I believe, would be the primary reason that the Disaster Assistance Board would be considering in taking on the position that it did with, I believe, the claim the member is referring to, that those claims would not be paid.

It is not the purpose of the Disaster Assistance Board and the assistance funds that they manage to be made available in place of insurance that is readily available. They are not to be functioning as the insurer of last resort, so to speak.

So, as unfortunate as it is, and the member knows I share his concern for these people that have lost property in very unfortunate circumstances, the first responsibility is theirs to protect their own assets. The first obligation is theirs to purchase insurance that is readily available in their communities, not just when a fire threatens but in advance and in anticipation of the possibility of those events happening, not just in the next day or week but at some future point.

As much as it discourages me not to be able to tell the member that, yes, as an individual I would love to see each of these people compensated for. When I am charged with the responsibility and the Disaster Assistance Board has that fiduciary trust, I suppose, to manage the resources of all Manitobans as they see is best and just, it is not possible to do that and at the same time offer compensation to individuals who—some of the situations the member may be referring to may be situations that were, however unfortunate, caused by a lack of preparedness on the part of the individuals that he refers to.

\* (1110)

**Mr. Jennissen:** Well, the minister keeps repeating the phrase, insurance being readily available, but that is not the impression that I get from some of the people who own trailers. I guess the concern arose when a trailer was being bought. I think people that owned trailers and were insured, the company kept them on, but if you were a new purchaser, you bought a trailer, you had a devil of a time finding insurance. It simply was not given in some cases or they were being stalled month after month.

It was not that the people were unwilling to have the material insured. They just could not get the insurance, not only on the trailer, but especially on outbuildings outside of town. In the case of the Andersons there was a dog yard worth \$15,000. They tried everything they could to get it insured and it was not insured, they could not get it insured. It was burnt and there was no compensation whatsoever and I am questioning the fairness of that.

**Mr. Pallister:** The member raises kind of a range of possibilities. The Disaster Assistance Board has never compensated people for loss of hobby activities or part-time businesses. Not necessarily am I addressing the individual situation that the member raises, as that would not be appropriate of me to do that, but I would say that the member should understand that that is a practice that is of long standing with the Disaster Assistance Board, that they do not offer that kind of compensation.

But the member does raise an interesting scenario when he suggests that there are individuals who have tried repeatedly to get insurance and were not, over months, I believe was the member's words, and I would encourage

him as I have in the past that if there are situations such as he describes that there is an appeal mechanism. I am not sure if this individual that he is referring to has utilized that or not, but certainly if it can be proven that the individual could not get insurance and was not offered insurance on an asset, then if that can be proven, the board I am sure would be looking at that. I understand that is not an unprecedented thing, for the board to entertain appeals of that nature.

**Mr. Jennissen:** Some of the people who did appeal, and I think the appeals were denied, were being told that especially a building outside of town could not be insured or was not insured in the past are bringing up the fact that under this government in the past, in fact, there was one particular building outside of Leaf Rapids, I believe it was a trapper's cabin, I am not sure, that was not insured, that did burn in a forest fire and was compensated. This person was compensated. So they are arguing, if it can be done once by this government, why can it not be done again? The precedent has been set.

**Mr. Pallister:** Well, I do not know the specifics of the situation the member cites. I think we are talking here about an anecdotal piece of evidence, and it is very difficult for me to respond to that. I do know that there is a process, and it is the same for all Manitobans, that they can avail themselves of in a situation where they feel losses have occurred due to a disaster circumstance and they wish to use the application process. They can use it. They can use the appeal process as well. It is the same process for everyone. As far as the issue of precedence and so on, the specific incidence and the specific instance of supposed compensation being paid I am not aware of. That does not mean to question the member. I am not questioning the member's integrity here at all. I think he knows that. It may have occurred, but it is not something that has occurred to my knowledge.

**Mr. Jennissen:** Do I understand the minister correctly when he says he does not particularly want to get into individual cases because I do have the John and Bev Roach case, the Shelly and Desmond Haas case, the Charlie Ducharme case, specific cases, I think, where people have appealed? Does he not want to get into those cases?

**Mr. Pallister:** I would question the wisdom of us discussing individual cases, yes.

**Mr. Jennissen:** I am taking that into account.

**Mr. Pallister:** I was just saying in this particular forum I would question the wisdom of dealing with individual cases of this nature at this point in time, but I cannot certainly stop the member from pursuing as he wishes to.

**Mr. Jennissen:** Yes, and now this is my last question to the minister.

When applying to the Disaster Assistance Board, these people get letters back stating stuff like we do not compensate items that are normally insurable. I am just wondering if, in general, and also specifically in these cases, we do not need northern guidelines because the North is not the same as the south. There are all kinds of peculiar and unique situations that just do not occur south of 53. Maybe we need to be more flexible, because I have a lot of angry people out there who felt that they have not been treated fairly.

**Mr. Pallister:** I would encourage the member to do everything he can to make sure that these individuals understand a couple of things. First of all, I would hope that he would communicate to them certainly my sincerity in regard to the concerns I have over their losses. I understand how difficult it is if somebody who has tried in his life to pull himself up and tried to accumulate some of the accoutrements of life and tried to pay for a home and tried to continue to make payments in that regard for material possessions how very difficult it is when one saves and works to accumulate those things to see them lost. It is a horrible thing. I would hope that he would understand, and I know that he appreciates the sincerity with which I say that. I would also hope though that he understands that for us to create a situation where we have special Manitobans or create special categories of rules is also a very difficult thing for us to do.

I would think—not from the member so much—but certainly I have heard some of his colleagues make reference to preferential treatment being given to people in southern Manitoba or in rural Manitoba. I hear those charges made and I would hope that they are not valid ones and so, too, I would hope—because the member understands that there should not be truth in those accusations. I would not want there to be truth that there was any kind of preferential arrangement put into place for people just because they were domiciled in a certain

area without a good case being made that that was a legitimate and valid difference that applied specifically to that particular group of individuals.

I should share with the member though—and I know that this does not give any peace or solace to the people who did not get their claims paid and felt badly treated—that we did pay individual claims in the area of about \$100,000 to people of Leaf Rapids, and the town itself of Leaf Rapids received compensation just under \$150,000. I know that does not give any solace to the individuals whose claims were not paid, but there were claims paid, and many. So I would not want the picture to be at all created that for some reason everyone was displeased by their treatment with the Disaster Assistance Board. I also have had calls from people expressing appreciation and support for the way that they were treated, and positive comments as well.

The member has communicated to me some concerns and some critical comments. I respect that, and that is understandable given the circumstances, but I would not want the impression left that that was, by any means, a majority view or one that was held by all parties. In his own constituency, I know that he realizes that is not the case.

**Mr. Jennissen:** I thank the minister. Now, in the interest of time constraints that we are all facing, I would like to pass the questioning over to my honourable colleague for Wolseley.

**Ms. Jean Friesen (Wolseley):** Mr. Chairman, I just have a couple of questions on issues that I raised last time in the Estimates of Government Services.

I think we are a little further down the line on the renovations to the new site for the deaf school, the Alexander Ross School, in St. James. I wonder if the minister could tell me what the estimate is or what budget he is working with for the renovations of that school and the residence which will be part of the school? Does the minister have a breakdown of any of the renovations?

\* (1120)

**Mr. Pallister:** What I could do is unnecessarily use up the time of this committee by giving some background to the member, which I do not believe she needs, so I will

not do that, but I can say that globally I believe we are looking at a budget of about \$3.2 million—is that correct?—I am sorry, \$3.3 million for the total project. That is a considerable increase, as the member knows, over the original projections, but given, I guess, partly at least—the member, I think, probably knows as much or more of the background of these discussions than I do, but I would just say that this would be partly as a result of a series of, I understand, 15 meetings of an implementation committee, which provided advice and ideas on the finalization of plans for the relocation and renovation of the facility.

There were extensive changes, as a result of those meetings, to both the educational and the technological requirements that were initially projected for the preliminary design of the facility. I should clarify that this implementation committee was made up of representatives from various government departments as well as my own department and the Department of Education. There was a consultant team with Advisory Council for School Leadership members as part of that, Winnipeg Community Centre for the Deaf, advisory board for the deaf and hard of hearing. As well, representatives from the Manitoba School for the Deaf students and the Manitoba School for the Deaf staff were on that implementation committee.

I am told that in terms of the current status, it is the understanding that the concerns of the implementation committee have been addressed, the design of the project is complete, and we have currently a situation where the consultant is preparing construction documents as we speak, and the estimated tender date has been passed. I believe the tenders are active at this point in time.

We are hopeful that a renovated Alexander Ross School would be able to be occupied and serving its purpose early in the next year.

**Ms. Friesen:** Mr. Chairman, early in the next year meaning early in the next academic year, or do you mean January, February '97?

**Mr. Pallister:** In early 1997.

**Ms. Friesen:** Mr. Chairman, yes, there is a considerable increase in this budget, and I wondered if the minister could give me some breakdown of that budget? For

example, I understand that there have been new proposals to include residential facilities within the school whereas, at one point, there was the possibility of having residential facilities close by but not actually in the school. There are obviously components, at least I am assuming and I wonder if the minister could confirm this, of this which are related to the installation of educational and instructional aspects, computers, for example.

So how does the budget look on this? How much is actually related to building renovation? How much is educational equipment? How much is related to residential construction for residential purposes, or is there a budget that is available for the committee to look at?

**Mr. Pallister:** I apologize to the member for not having that information with me, but I will make that available to her in detail, and it will outline I think satisfactorily some of the points she alludes to but, again, sorry that I do not have that here with me at this time.

**Ms. Friesen:** Could the minister also tell us what the tendering process was for each of these portions?

**Mr. Pallister:** I am told the tendering process is a normal construction tender process and that the tender would have been promoted and made available through the OBS system, open bidding service, which would allow for participation from a wide array of interested parties.

**Ms. Friesen:** Could the minister tell me whether there was a bidding process for the educational equipment and the building system separately? How many bidding processes were there in this, and could the minister give us the dates of those bids?

**Mr. Pallister:** I think we can also make that information available to the member in more detail than it would be possible for me today, but I can tell her that, yes, it is not a global tender. It is broken down by category and always with a view to obtaining the best products at the lowest possible cost, of course, and that are most suitable for the purposes intended. I am told we have in the area of 20 different tenders as part of this project's completion and, again, I would be pleased to make that information available to the member for her interest.

**Ms. Friesen:** Could the minister tell me when this material would be available, and I am also interested, is the tendering complete? Are all the tenders that need to be let done?

**Mr. Pallister:** The tender due dates, if I am using the correct, and I am probably not using the correct terminology, but the response dates vary, but suffice to say in a range of a couple of weeks to less than two months. As far as the availability of information to the member, I think we can have that available for her in the next couple of days.

**Ms. Friesen:** I am not sure I understood the minister's first response. What I was asking was, are all the tenders that are going to be let for this project let. Was that the answer that you were giving?

**Mr. Pallister:** I was responding to the time of response, that is, when would the tenders close, but as far as letting the tenders, I am told that, with perhaps one or two exceptions, all the tenders have now been let.

**Ms. Friesen:** Could the minister refresh my memory on whether this school has been purchased by the department and at what price or whether it is still in the prospect of a lease?

**Mr. Pallister:** Yes, the school has been purchased. It was purchased for a price of \$171,000. That was as a consequence of negotiation between St. James-Assiniboia School Division and our department and working with the Public Schools Finance Board. As the member knows, those discussions were conducted with fervour over a considerable period of time, but, nevertheless, resulted in a mutually agreeable price being established for the purchase of the school.

**Ms. Friesen:** Mr. Chairman, I understand that the minister will be sending me a list of the contracts that have been let, the dates of those contracts and the names of the people who have fulfilled those contracts some time in the next few days.

**Mr. Pallister:** Yes, yes and no, because some of the people who will fulfill the contracts have not been decided at this point in time. The deadline for tender applications has not been reached, so I could not give the

member that information at this point, but I think she would understand that.

**Ms. Friesen:** Mr. Chairman, but, for those contracts which have been let, the names will be there of the companies. Okay. Thanks very much.

\* (1130)

**Mr. Jack Penner (Emerson):** Mr. Chairman, just very briefly, this is probably the only opportunity that we are going to get as members who represent the areas that suffered severe flooding and damages during the past year and also last year in some flash flooding that has been prevalent in much of my constituency, and I want to take this opportunity to commend the department and all of their staff and the actions that they took and the job that they did. It was tremendously appreciated by the people in our constituency, and we think the quickness with which they acted is simply a pure demonstration of the ability of people of the caliber that you have in your department, Mr. Minister, to act with the municipal people and co-ordinate the kind of efforts that were put to keep the damages at a minimal level that were kept, and I think there was a commendable effort. I think you, as the minister, should take note of that kind of efficient movement, and I think we should also commend the municipalities and all the people who work within the municipalities to alleviate the damages and apprise themselves of the quick action that they took.

The question I have is, I am still concerned, as many of our municipal people are concerned, about the ability of the municipalities to utilize all the resources at their disposal when these kinds of emergencies occur. That is, in a large part, the federal aspect of remuneration for the damages that occurred and the equipment used and the manpower used virtually at the drop of a hat sometimes, the quickness with which they took action. Has the department or the minister received any indication from the federal government that the allowance of those expenditures will be tabulated and used in calculating the final damages and submission of the bills?

**Mr. Pallister:** First of all, Mr. Chairman, I want to express my thanks to the member for his positive comments, and I will pass those on certainly to our staff. I also want to echo his comments about the tremendous work. Words fail me in terms of describing how

important it is, the role that our municipal officials play, in terms of pre-emptive work that was done this year and in other disasters, certainly in areas represented by members of the New Democratic Party as well. Municipal officials play a tremendously significant role in terms of being the front line of defence against disasters, whether it be fire, flood or other examples that we have all too often experienced in our province, and it is with deep gratitude that we respect their role and the vital role that they play.

The municipal officials that we have had the privilege of working with in the term of my tenure in this department have, without exception, demonstrated an ability to manage in difficult circumstances with severe time constraints and under the most pressing and emotional circumstances as well, a capability that is exemplary. They have demonstrated repeatedly that they will effect the results, whether it be protection of life or protection of property, that they will do it in a cost-effective manner whether it be by expeditiously proceeding to minimize losses or damage, whether it be by utilizing volunteers and recruiting staff in their own locale, and they will do that without exception.

It is particularly disheartening, I know, to the member and to me and to all of our colleagues when I see the disrespect with which the federal government and its representatives at Emergency Preparedness Canada are treating municipal officials. For a decade or more municipal officials were given the respect and latitude to be compensated on the use of their own machinery, equipment, staff when they deemed it appropriate to use those resources in the difficult circumstances. Around the time when they had to make those decisions, they were given the respect and dignified by fair treatment in terms of the equitable treatment for cost compensation that those particular assets received.

Whether they were used or whether they tendered out and utilized other sources, private sources, or brought in staff, made no difference. Municipal officials were given the latitude to make that call. That was a good system, a fair system. It worked effectively to mitigate the damages that were done to protect the health and the well-being of Manitoba citizens for a long time. Arbitrarily, without notice last year, the federal government's auditors began to throw out claims made by municipalities when they used their own equipment and machinery.

Now the basic, fundamental premise under which disaster cost-sharing works is this, that we cannot budget. We cannot predict effectively what the costs or the damages are going to be of unforeseen incidents. Tornadoes, floods, fires, things like this cannot reasonably be expected to be budgeted for at the municipal level of government. It is very, very difficult to face up to the challenges of dealing with these circumstances, but municipal officials are best equipped to do it and we recognize that.

So we oppose the federal government's arbitrary changes to their practices of long standing, because what they effectively do is they download those costs the municipalities have to incur on to municipalities unnecessarily and unfairly. Municipalities such as the ones represented by members at this table do not have a lot of population for the most part. Relative to the population of our country, we have a very small population in each of our constituencies. It is wholly unfair to expect the ratepayers of Dauphin or Morris or Portage la Prairie or Flin Flon to have to shoulder the burden of the consequences of a flood or a fire that was not of their own making and not something that they should be fairly asked to absorb.

So the premise of the basic program as it was established was that once costs got to a certain level, the municipalities could begin to cost-share with the province and once costs got to again a higher level, the province and municipality could again begin to share with the people of Canada so that the significant costs would be distributed among all Canadians, and the smaller costs would have to be borne by the municipalities.

When one recognizes that a considerable portion of the costs that are incurred, as in the case of flood and fire especially, is for machinery and equipment by necessity for the cleanup, for the prevention and so on of damage, for dike repair, for building fire breaks and things like this, it is wholly unfair for the federal government to expect municipalities, just because they have the equipment, to not be compensated for the use of it. Because the reality is when a municipality uses a grader or a bulldozer it depreciates in value. It depreciates rapidly. So the very real cost of using that piece of equipment is borne by the municipality if it is not compensated in a fair and equitable manner by the federal government.

A similar situation exists for use of staff. Last year Portage la Prairie, for example, was given less than two hours notice that it was to host Gods Lake Narrows Reserve residents and they were flown to Portage la Prairie, effectively increasing the population of my home town by almost 10 percent. That was a gracious thing that the host community did and all host communities do an honourable thing in hosting evacuees.

The reality is, however, that Portage la Prairie's costs were fully compensated because that was an aboriginal community. Had it been a nonaboriginal community, had it been the residents from a small community, say, near Dauphin or Flin Flon that were of mixed population, the federal government's new policy would be to say, no, no, Portage, you do not get compensated. You do not get compensated for using your own staff because you have staff.

Well, yes, Portage has staff. The Town of Dauphin has staff. Flin Flon has staff. But they have other duties. That is why they are there. Those other duties are put on the back burner while these folks go out and host, as good people that they are, evacuees who are in need of help and support. How we can expect these host communities to hire people on two hours notice, and train them and equip them to deal with these kinds of emergencies is truly beyond me, and how we can ask them to do that job and not compensate them for doing it is also, really defies logic, I think.

So I appreciate the support that has been expressed by the member and by other members on our side of the House. I have heard similar comments from members on the other side of the House, that they are deeply concerned about this issue, and I believe that if we continue to express our concerns and ask for answers from the federal government, we will ultimately be treated in a fair and reasonable manner, and municipalities will be given the respect that they deserve and be given the latitude to make the decisions that they must make.

I appreciate, again, the comments of the member. They are well thought out, and I will again pass those on to our emergency measures and Disaster Assistance staff.

**Mr. Penner:** I appreciate those comments from the minister. I think one of the dilemmas that many of the municipalities are now facing, after the fact that most of the flood waters have receded substantially enough to be able to start some of the damage repair, leads to the—and the uncertainty that is being created as to whether they can in fact utilize their equipment and expect some form of compensation is where the crux of the matter lies. Many of us that represent the areas, the flooded areas, have spent many of our weekends with municipal officials touring and taking a look at the damages. But the question I hear time and time again, should we use our own equipment to help remediate damage, and should we use our own resources, or should we contract out much of what is there? Should we bring in equipment from and incur vast additional expenditures, or should we keep the expenditures at a minimal level?

I think the other issue lies in the damages that many of these municipalities have incurred to their own equipment while doing these kinds of works. I just remember, at the start of the flooding, when municipal backhoes and caterpillars were used to clear drainage ditches and ice out of drainage ditches, in my constituency alone, there were three of these large backhoes, which cost anywhere between \$250,000 to \$500,000 apiece, buried in water because they slipped through the ice and the snow, broke through the ice and the snow, and were totally submerged in water. It was a huge expenditure that the municipality incurred to repair the damages to their own equipment, and for them not to be compensated for those kinds of extraordinary costs is simply unconscionable, I believe.

Similarly now, when the repair work starts, when much of this equipment is sent into these areas to clean out ditches and/or you never know how deep the washouts are going to be and whether it is swampland that you are entering into, you can very easily submerge a piece of equipment in this kind of muck. Again, to expect the municipalities to incur at those costs out of locally funded municipal levies is, not only unfair, but it is unreasonable. It is hard to believe that any level of government would not respect the involvement of offsetting some of those costs by those kinds of unnatural disasters.

**Mr. Pallister:** The member makes several good points. First of all, again, just to reiterate, municipal equipment that was damaged, we have precedents that tell us that

those damages were cost compensated in the past. We have sent the federal government over a thousand examples to explain to them that, yes, they have departed from past accepted practice. The guidelines themselves, as guidelines are, were departed from in numerous cases and the relevant issue here is, what were the practices accepted by the various levels of government? What was actually done in terms of cost-sharing?

What was actually done for many, many years was that compensation was provided to municipalities who used their own equipment, who out of necessity had to redirect their staff because they were being flooded or having a fire or whatever the case may be.

The municipalities were fairly compensated when they made that decision and it did not force municipalities to have to choose one or another option, one of which would have a severe negative impact on the ratepayers, the other which would make them eligible for compensation but may cause them to incur heavy additional costs. Granted, they would get compensation for those, but those would be distributed among other ratepayers, that being all Canadians. So we create a circumstance with this departure from established practice that is not a healthy one or a good one and that again shows disrespect to municipal officials who are accountable to a great degree, far greater I think than our federal elected officials are frankly, because they live in the same communities as those who put them in office and they are directly responsible to those people.

They also must manage in a fiscal environment which says they must balance their budgets and so they become intelligent managers of necessity. I would put the fiscal management skills of our municipal officials in Manitoba up against the fiscal management skills of any federal government regardless of its political stripe over the last 25 years and then ask people to objectively compare the management skills that have been demonstrated by the two groups. I would think that it would be unanimous that people would say that there was a demonstrated case of long standing that municipal officials, elected and accountable as they are, can manage more prudently and more effectively the financial affairs of their jurisdiction than can a federal government.

The fact of the matter is that all of us are sympathetic to the difficulties faced by federal officials in terms of

cost containment. They are trying to reduce their cost at the federal level. The Liberal government, in order to reduce their annual deficits and in order to begin to re-establish some sense of fiscal sanity in our nation, all of us are sympathetic to that. Without exception we would support that and contend that that is a wise and noble direction but, to do that on the backs of the ratepayers of Dauphin or Flin Flin or Swan River or Portage la Prairie or Brandon or any other community when it has a flood or a fire or a train derailment is just ludicrous and not defensible in any way, so for us to continue this fight, I think, is essential. I think that we have to assert the position that our ratepayers and our constituents would want us to assert, and that is that it is not fair to download onto local governments and onto local people the costs for disasters not of their own making. That is not fair or right. I only wish that the members of Parliament who were elected in our areas in Manitoba to represent the people of those areas would stop simply representing the position of bureaucrats in Ottawa to our constituents and rather would take a look at the facts.

Several members of Parliament, a Mr. David Iftody, a Marlene Cowling, a Jon Gerrard, a Glen McKinnon and I believe as well a Lloyd Axworthy, have distributed photocopied letters produced I am not sure by whom, but a nameless and faceless person in Ottawa, I expect, which misrepresent the facts of the issue and which purport to tell their constituents in the various means that they have chosen to distribute these letters, usually by local community newspapers, that tell local residents in Manitoba that there has been no change, that the federal government has not changed their practices one iota. Nothing could be further from the truth. It is unfortunate that we elect people to represent us in Ottawa and they very quickly turn around and choose to represent Ottawa to us. This is sad and unfortunate.

I would urge members of our committee, and I have urged members, colleagues in the House, to continue to represent the views of their constituents strongly and force these members of Parliament to take a long look at this issue, to understand it better. It is clear that they do not understand it, and they have chosen not to understand it. That is very unfortunate.

**Mr. Deputy Chairperson:** I would just like to point out to the other members of the committee, there was a suggested time by the member for Elmwood (Mr.

Maloway) of 10 minutes to. If we could try to squeeze what we can in there. It is up to the critics, though.

**Mr. Stan Struthers (Dauphin):** I was aware that there was an agreement to wrap this up by 12, so I was very much itching to get to the microphone. I have a couple of questions on one issue and just some concerns that I will state on the discussion that went on about the flooding. I want to start with the position of the Disaster Assistance Board in regard to nets and damage of nets on Lake Winnipeg.

People have approached those of us on this side of the House with some concerns about what they claim to be a change in policy of the Disaster Assistance Board. There is a lot of confusion right now as to why so many claims have been denied. The confusion comes in as to the reason why. Is the reason that the federal government has pulled out of these programs or the reason why the claims have been denied because of change in the definition of "disaster?"

\* (1150)

I would like the minister to clarify that for me. Also, the member for Interlake (Mr. Clif Evans) was especially interested in knowing what kind of assurance the minister can give that the people in Dauphin River, in Jackhead and Fisher River are going to be able to have their claims proceeded upon and may be successful with their claims, so if the minister could quickly give me those answers I would appreciate it.

**Mr. Pallister:** I will start with the second part of the question asked on behalf of the member for Interlake, whom I have had discussion with on this issue, but I can give no assurance to the member that claims will be paid because it is not in my purview to make that assurance. The Disaster Assistance Board makes those recommendations, and we have a process that, as the member knows, is available to his constituents and is one that is, I believe, fair and the same process that all Manitobans can avail themselves of.

I think at the heart of this issue is, and this would be my understanding of it, that we have a situation where—the member says, has the definition of "disaster" changed? No. But there is not, nor has there ever been, the intention to cover recurring risks of trade. That is, if a person puts a claim in for something one year, it may be

treated as a compensable item by the Disaster Assistance Board; but, when it becomes evident that such a claim is coming in on an annual or biannual basis, then the evidence begins to mount that it is not something that is an occasional thing, that it is not due to circumstances that are—again, I cannot give the member the exact definition from the guidelines. I do not have them here right now, but a disaster is not—it may be a disaster to an individual farmer if they have a drought each year for three years, that may be a disaster, but to suggest that the loss of a tractor in a mudhole every year is a disaster is stretching it.

There is management involved, and when things recur year over year and you get repeat claims, which is a reality, certainly a reality that is well known, I think, in any insurance or compensation program. If you talk to anyone who administers them, they will tell you that there is a danger in that some people are motivated—and I am not alluding here necessarily to the situation the member is raising, but just a general statement if the member will allow me—there is a danger when compensation is paid to one group, or for one circumstance, that there will be a higher incidence of repeat claims over a period of time because compensation was given. That is why, at the heart of the disaster assistance arrangements that have been entered into by our province with the federal government, and with municipalities, and with individuals in Manitoba, there is a provision clearly stating that recurring risks of trade are not to be considered compensable.

I hope that addresses what the member is getting at. Again, I do not want to deal with individuals' specific claims, I do not think this is the appropriate venue for that, but suffice to say, that the recurring risks of trade are the responsibility of the individual who carries on that trade, whether it be store owners or farmers or fishermen. Individuals have to manage around that and clearly, the fear would be, I suppose, here—and it has been expressed to me by fishermen—that the existence of the program might in some way encourage practices that would not be followed by fishermen if there was not such a program in place, thereby simply jeopardizing the way in which people manage their operation in a negative manner, that is, farming, as we used to call it in the crop insurance industry, farming for the program.

We do not want to create a circumstance like that where people are making—I will use the farming analogy

because it is my background I guess—but you do not want to see people farming for the program; you would rather see them do what is the best, make the best decisions, management decisions, in the absence of these artificial contrivances that are put in play.

It is the same thing here, I think. We do not want to see a situation where we are encouraging practices that are to the detriment of the fishermen involved. I think that that would be a contributing factor in terms of what the board's thoughts are on the issue.

**Mr. Struthers:** I thank the minister for that answer.

**Mr. Deputy Chairperson:** Order, please. I would like the members of the committee to know that we are not going to finish this.

**Mr. Struthers:** I will just wrap up my questions there then.

**Mr. Deputy Chairperson:** Item 8.1.(b) Executive Support (1) Salaries and Employee Benefits \$368,700—pass; (2) Other Expenditures \$39,200—pass.

8.1.(c) Finance (1) Salaries and Employee Benefits \$575,300—pass; (2) Other Expenditures \$221,300—pass.

8.1.(d) Human Resource Services (1) Salaries and Employee Benefits \$460,200—pass; (2) Other Expenditures \$181,000—pass.

8.1.(e) Information Technology Services (1) Salaries and Employee Benefits \$357,700—pass; (2) Other Expenditures \$60,100—pass.

8.1.(f) Lieutenant Governor's Office (1) Salaries and Employee Benefits \$97,900—pass; (2) Other Expenditures \$62,500—pass.

8.2. Property Management (a) Executive Administration (1) Salaries and Employee Benefits \$150,200—pass; (2) Other Expenditures \$22,100—pass.

8.2.(b) Physical Plant (1) Salaries and Employee Benefits \$15,495,300—pass; (2) Other Expenditures \$28,842,000—pass; (3) Preventative Maintenance \$161,000—pass; (4) Less: Recoverable from other appropriations (\$57,000)—pass.

8.2.(c) Leased Properties (1) Salaries and Employee Benefits \$47,400—pass; (2) Other Expenditures \$17,654,100—pass.

8.2.(d) Property Services (1) Salaries and Employee Benefits \$375,600—pass; (2) Other Expenditures \$246,800—pass; (3) Less: Recoverable from other appropriations (\$235,400)—pass.

8.2.(e) Security and Parking (1) Salaries and Employee Benefits \$2,572,300—pass; (2) Other Expenditures \$602,600—pass; (3) Less: Recoverable from other appropriations (\$1,613,000)—pass.

8.2.(f) Accommodation Cost Recovery (\$37,052,000)—pass.

Resolution 8.2: RESOLVED that there be granted to Her Majesty a sum not exceeding \$27,212,000 for Government Services, Property Management, for the fiscal year ending the 31st day of March, 1997.

8.3. Supply and Services (a) Executive Administration (1) Salaries and Employee Benefits \$170,400—pass; (2) Other Expenditures \$16,300—pass.

8.3.(b) Government Air Services (1) Salaries and Employee Benefits \$3,365,000—pass; (2) Other Expenditures \$5,269,400—pass; (3) Less: Recoverable from other appropriations (\$8,634,400)—pass.

8.3.(c) Office Equipment Services (1) Salaries and Employee Benefits \$482,300—pass; (2) Other Expenditures \$1,852,800—pass; (3) Less: Recoverable from other appropriations (\$2,335,100)—pass.

8.3.(d) Purchasing (1) Salaries and Employee Benefits \$1,124,200—pass; (2) Other Expenditures \$404,100—pass.

8.3.(e) Telecommunications (1) Salaries and Employee Benefits \$976,500—pass; (2) Other Expenditures \$4,660,800—pass; (3) Less: Recoverable from other appropriations (\$4,902,600)—pass.

Resolution 8.3: RESOLVED that there be granted to Her Majesty a sum not exceeding \$2,449,700 for Government Services, Supply and Services, for the fiscal year ending the 31st day of March, 1997.

8.3.(f) Mail Management Agency (1) Salaries and Employee Benefits, nil—pass; (2) Other Expenditures nil—pass; (3) Postage nil—pass; (4) Less: Recoverable nil—pass.

8.3.(g) Materials Distribution Agency, nil—pass.

8.3.(h) Land Management Services, nil—pass.

8.3.(j) Fleet Vehicles Agency, nil—pass.

Item 8.4. Accommodation Development—

**An Honourable Member:** Leave to not see the clock?

**Mr. Deputy Chairperson:** The will of the—no. The hour being twelve o'clock, committee rise.

**Order, please.** It has been stated that we agreed not to see the clock for a couple of minutes. [interjection]

The committee is adjourned. We will finish this within a couple minutes when we come back to committee.

Committee adjourned.

## FINANCE

\* (0900)

**Mr. Chairperson (Marcel Laurendeau):** Will the Committee of Supply please come to order. This section of the Committee of Supply will be considering the Estimates of the Department of Finance.

Does the honourable Minister of Finance have an opening statement?

**Hon. Eric Stefanson (Minister of Finance):** I have a very brief opening statement.

I am prepared to mostly dispense with it because I think we are only allocating today, is my understanding, so I am prepared to get on with questions fairly quickly, but I just want to make a comment or two. Mr. Chairman, it is my pleasure to present for consideration and approval the Estimates of Expenditure of the Department of Finance for 1996-97, for the fiscal year.

I do have a brief opening statement, but I am pleased to respond to any questions that members might have obviously. The department proposes to spend some \$794.6 million in '96-97, and this represents a decrease of 8 percent or \$68.6 million over the '95-96 Estimates. Reduced Public Debt expenditures account for almost the entire net decrease and are made possible due to lower borrowing requirements, as a result the province's improved fiscal position and a decrease in Canadian and U.S. interest rates.

These very positive developments have been offset to some degree by the cost associated with a weaker Canadian dollar. Notwithstanding the expenditure reductions for '96-97, Public Debt remains the single largest component of the department's spending and represents 10.7 percent of the entire provincial budget.

The magnitude of this cost continues to underscore the importance to Manitobans in balancing the provincial budget. The department's expenditures include \$12 million for the new Manitoba Learning Tax Credit. As previously announced, Manitoba will become the first province in Canada to provide a refundable learning tax credit to encourage students to invest in their own education and training.

While expenditures in the other main appropriations of the department are declining modestly, these reductions are not hampering the essential work of the department. Some of the department's planned activities for '96-97 include improvements in the timeliness and content of the public accounts, the implementation of corporate e-mail, process enhancements to provide better taxpayer service and reduce the costs of administration, and the design of seven new special operating agencies for 1996-97. As well, we are involved with the review of possible changes to the Canada Pension Plan. Some examples of prior year accomplishments are, in the last year, we had the direct deposit of employee pay cheques, a central payroll office located within our Comptroller's division implemented the direct deposit of employees pay cheques effective with the first payday in the current fiscal year.

We are pleased that this significant change was implemented with no disruption for employees and that the participation rate is in excess of 98 percent of the payroll. One of the greatest benefits to employees is that their pay cheques are no longer subject to postal

disruptions or even the postal delivery problems that have occurred from time to time. Employees will also personally benefit because they can avoid the bank line-ups that do tend to happen on paydays.

We also led the preparation of the Balanced Budget, Debt Repayment and Taxpayer Protection Act which has been described by independent observers as the best balanced budget legislation in all of Canada and a model for other jurisdictions.

We completed negotiations with the federal and other provincial governments on a series of major initiatives and changes.

Mr. Chairman, those are my very, very brief opening comments, and I look forward to responding to questions from members opposite.

**Mr. Chairperson:** I thank the minister for his opening comments. Does the critic for the official opposition party, the member for Brandon, have an opening statement?

**Mr. Leonard Evans (Brandon East):** Brandon East, thank you, although I feel like a member for Brandon, period, sometimes. But it is MLA for Brandon East.

I very briefly welcome the opportunity to review the Finance Estimates for the 1996-97 fiscal year. It gives us an opportunity in the opposition to ask a number of policy questions about major changes, major proposals. The minister touched on some of these, some of the major financial problems facing the Treasury of Manitoba. Of course, it also gives us an opportunity to ask some details about the administration of the department, ranging through Treasury, Comptroller, Taxation, Federal Provincial Relations and Treasury Board. There are a lot of specific questions we will have about some of the specific programs, some of the specific activities of the department.

I would say, by and large, my experience in dealing with this department over the years, on both sides of the House, is that it is a very well-run department; it is comprised of a lot of competent people, very capable people, and very dedicated and loyal people. They serve the people of Manitoba well. They serve government well. They serve the Legislature. They serve the people of Manitoba well, and we are fortunate to have the quality of staff that we do have in the department.

Having said that, Mr. Chairman, I think we should perhaps just get on with the details of the Estimates review.

**Mr. Chairperson:** I thank the critic of the official opposition party. I remind the honourable members of the committee that the debate on Minister's Salary, item 1 (a) is deferred until all other items of the Estimates of the Department are passed. At this time we invite the minister's staff to take their place in the Chamber.

Is the minister prepared to introduce his staff present at the committee at this time?

**Mr. Stefanson:** Yes, I am, Mr. Chairman. Starting down to my immediate left here is Pat Gannon, the Deputy Minister of Finance. Next to Pat is Erroll Kavanagh, the director of Financial Administration Services. Across from Erroll is Mr. Neil Benditt, the Assistant Deputy Minister of Treasury Division, and to my immediate right is Mr. Don Potter, the associate secretary to Treasury Board.

**Mr. Chairperson:** The item before the committee is item 7.1.(b) Administration and Finance Executive Support (1) Salaries and Employee Benefits.

**Mr. Leonard Evans:** Mr. Chairman, as I indicated just prior to the staff coming in, I think the people of Manitoba have been well served over the many years by a dedicated, loyal staff in the Department of Finance. As I have said, I have been on both sides of the House, in government and opposition, and it is my experience it is usually very well run, and it does perform an important service to the people of Manitoba—people with talent and loyalty, and we are well served by this department.

I want to take the opportunity, as I understand that we now have new a deputy minister, to congratulate Mr. Gannon for his appointment. He served for many, many years in the civil service and in the Department of Finance, in particular. I certainly appreciate the fact that we have someone with a lot of experience and talent and dedication in that position, so my congratulations to the new deputy minister.

Perhaps this is more on a light note than anything else, but my first question is—and I do not know whether this is the appropriate place to ask this question. That is

always the challenge in Estimates. It is where is the appropriate place to ask questions, but my question is, I notice that the provincial cheques are now signed by the minister and not by the deputy minister. Now, I do not know, it seemed to me for years and years it was the deputy minister. This is not a constitutional crisis or anything like that, but I am curious as to why there was a shift from the deputy minister's signature to the minister. It is not a life-threatening decision, I realize, but I am sort of curious.

\* (0910)

**Mr. Stefanson:** As the member for Brandon East I believe knows, Mr. Charlie Curtis, our previous deputy minister who served us well for many years, retired at the end of March, and really this was as much a timing and a transition issue, that we had not announced and filled the position by mid-March, and it requires at least two weeks to change the plates for the preparation of cheques, so the obvious alternative was to allow the minister to also sign.

We are now putting in place a plate for Mr. Gannon's signature, as well, and we will have the opportunity for either the minister or deputy minister to be signing cheques. It really arose as a result of the transition and the changeover, and from here on, we will have the ability for both to sign cheques.

**Mr. Leonard Evans:** Mr. Chairman, I thank the minister for that explanation. I guess the important thing is that the banks continue to cash the cheques, continue to accept them. I guess our credit is pretty good.

Just passing on, I have been studying the Supplementary Information for Legislative Review provided by the minister who tabled this a few days ago, and I think that it more or less coincides with the Estimates lines that we have before us. What I would like to do as we proceed through the Estimates is just touch on those areas that we have some questions on, because we do not have questions on every line, not that we could not have questions on every line, but time does not permit it. There is agreement, as I understand, for a limited amount of time for this department. I am not quite sure how many hours we are dealing with at this point. We will subsequently learn this, I suppose, but time is limited, so we would like to just concentrate on

some of the highlights and some of the particular problems, not problems, but program areas we would like to get some information on.

I am looking at your Supplementary Estimates Review. I am looking at subappropriation 07-1(c) Management Services. Among other things that this area is responsible for is co-ordinating departmental records management program, including applications made under The Freedom of Information Act, and I was wondering if the minister or the department could tell us, just what activity is there under Freedom of Information? Are there a lot of inquiries and what is the nature of the inquiries? I do not necessarily want the specific inquiries but the kinds of inquiries that the department gets.

**Mr. Chairperson:** Before the minister answers the question, I notice that the member has moved to line 1.(c) Management Services. Are we going to be dealing with resolutions as a whole, or are we going to pass line by line? I am just asking the committee for advice here.

**Mr. Stefanson:** Mr. Chairman, if I could suggest that we do it line by line, but then at the end when we wrap up the Minister's Salary—I mean, I am certainly prepared. I am not trying to muzzle debate, I guess what I am saying, but to sort of systematically move through it. If there is no question on individual lines, if we could at least pass them, deal with the question line by line, and at the end if there are any general questions, by all means.

**Mr. Leonard Evans:** As far as I am concerned, Mr. Chairman, whatever is most expeditious—as long as we have the opportunity to ask the questions, and the discussion, whether it is resolution or line by line, whatever is easiest actually.

**Mr. Chairperson:** So to facilitate the matter then, as soon as we are done with the resolution we will pass everything within that resolution except the Minister's Salary and move on to the next one, then we will have the staff present during those resolutions, if I am correct. Okay.

**Mr. Stefanson:** That sounds fine. In response to the question, for the calendar year 1995—well, first of all I should say, Mr. Chairman, that this area is responsible for Freedom of Information requests as they pertain to the Department of Finance. I just want that to be clear, that

there is not a misunderstanding that this is government wide Freedom of Information requests. This area of our department handles Freedom of Information requests for the Department of Finance. So when I am responding now, I am referring to requests that our department has received.

For 1995, we received approximately 25 Freedom of Information requests. Year to date in 1996, we have approximately eight. The requests are generally from either the media or political parties like the member's political party and, occasionally, they are from individuals, and if they are from an individual, it is sometimes related to their own personal or business tax file. So they are generally dealing with requests around expenditures, around contracts. In 1995 we had some requests related to the Winnipeg Jets and so on. So I hope that gives the member a sense of the number and the types of requests that we receive as a department.

**Mr. Leonard Evans:** Has the minister and the department denied any of the requests for Freedom of Information, because there are some conditions, and not all requests are granted. I am not really being critical of that, I am just saying, you know, are there some that have been denied because of the nature of the request?

Also, while the staff is looking into that, if we could get an indication, how much staff time does this take in a year, roughly, in the department? I am just talking about the department.

**Mr. Stefanson:** Mr. Chairman, the answer is yes. Some have been denied because of the legislative requirements. I do not have a number here today, and I certainly do not have any problem providing that information to the member for Brandon East. Again, in terms of the staff time spent, if he is looking for an example of how much time was spent in '95, how much time was spent in '96, again, I do not have that here today, but that certainly is information I do not have a problem providing, so we will undertake to obtain that as soon as possible and provide it to the member for Brandon East.

\* (0920)

**Mr. Leonard Evans:** That will be fine. We will look forward to getting that information in due course. I would like to pass onto another item under Management

Services relating to redeployment of employees impacted under the workforce adjustment program, and I wonder if the minister could elaborate on that just what is happening in this redeployment of employees, how many people are involved, is it working well, just what are the challenges in this particular area of redeployment?

**Mr. Chairperson:** Could I ask the member to identify the pages as he is going through the supplementary information? It might make it easier.

**Mr. Stefanson:** Supplementary page 28. This is still under subappropriation 07-1C.

**Mr. Chairperson:** I thank the member for that.

**Mr. Stefanson:** Mr. Chairman, again, this section pertains to the re-employment of employees impacted in the workforce adjustment within the Department of Finance. If we want to talk government-wide when we get to the workforce adjustment category later this morning or this afternoon, we can discuss that. In terms of the Department of Finance, employees impacted were 8.26 permanent staffyears have been impacted. Out of those numbers, seven were placed in other positions and one employee remains without an employment opportunity. Efforts are continuing to place that remaining individual. Out of the 8.26, all but one were redeployed elsewhere, and the other one has received a letter of layoff but is on a redeployment list and will continue to be worked with to see if there is an opportunity for that individual.

**Mr. Leonard Evans:** Obviously we are talking about permanent employees that have been laid off, not term employees. This excludes term employees, does it?

**Mr. Stefanson:** Mr. Chairman, the member is basically correct. These are permanent employees, permanent staff years, and term would just expire at the expiry date of any term.

**Mr. Leonard Evans:** I wonder if the minister could identify which part of the department or which line in the Estimates relates to the co-ordination of redeployment throughout the whole civil service?

**Mr. Stefanson:** There really is probably a split jurisdiction. The Civil Service Commission and Labour

Relations is directly responsible, as the member knows, but the funding is provided on page 140 of our Main Estimates. Number 27.5 6. Internal Reform, Workforce Adjustment and General Salary Increases. That is where we provide funding to deal with voluntary separation, incentive plans and so on. I am certainly prepared, when we get to that section, if you want to talk about government overall to spend some time on that. Even though it is split, this is the funding. The Civil Service Commission is directly responsible. That is where the funding is provided for programs like our voluntary separation incentive program.

Mr. Chairman, I know that is a line that we have allocated to us to deal with as part of the review that we will be doing.

**Mr. Leonard Evans:** That is an important observation, because on the list to be reviewed by this committee, not only the department per se, but there is a list of other programs—community support programs, Canada-Manitoba Enabling Vote, Allowances For Losses and Expenditures Incurred By Crown Corporations, Emergency Expenditures, Internal Reform Workforce Adjustment and General Salary Increases, that is the one, yes.

I do not know how this works, but after we conclude the department, we then go to these other votes and then go the Minister's Salary, I would assume.

At any rate, just passing on from that to the next item, I raised this last year or perhaps the year before where payments under the Soldiers Taxation Relief, it is a very small amount of money, \$3,000. One wonders why it is in this department and also why it is such a small amount of money, given the fact, as described in the material, it provides some kind of a property tax relief for qualifying individuals, for veterans of the two world wars as well as the Korean War. Is there any money actually spent under this program? The grants are up to \$50 and, if so, how many people were accommodated?

**Mr. Stefanson:** Mr. Chairman, just to give an example, yes, there are some payments from here, and, for the 1995-96 fiscal year, there were 29 claims from various locations in our province with a total value of \$1,450. Now, just to give a little bit more history, for the year '94-95, there were 32 claims with a total value of \$1,600,

and, for '93-94, there were 35 claims with a total value of \$1,750. That gives the member a sense of the number of claims and the dollar amounts.

**Mr. Leonard Evans:** Is the government doing anything to make the potential applicants aware that this program exists?

**Mr. Stefanson:** Mr. Chairman, no, we do not do anything directly as a department to promote this program, so to speak. It really has been, certainly in the last many years, the veterans association themselves that provide that information, but looking at the time lag for the period of eligibility, I am assuming that there was probably more of a seeking out shortly after the war and the wars that are applicable in this case when the individuals would become eligible, but, no, we do not promote it as a department. We rely on the veterans associations to provide that information.

\* (0930)

**Mr. Leonard Evans:** I would not be surprised, if we took a survey of the various legions and army and navy clubs around the province, the executive members even would not know of the existence of this program, and, of course, I am not quite clear how restricted it is because it may be so restrictive that very, very few people could qualify anyway. I gather you are only eligible if you do not receive income from sources other than military and old age security programs. So whether that includes CPP, for example, or not, I do not know. It seems to be very restrictive.

The basis of the program, the genesis of the program, was, I am sure, very good to assist veterans of the wars who are low income and particularly to help them pay their property tax bills. I have no problem with the intent of the program. It just seems to me that it is very tiny, and one wonders why it continues to exist as an appropriation in this department in this way.

I would not be averse if the minister said, I am going to write to all the legions and the army and navy clubs in Manitoba and tell them, yes, there is a program that exists. Under certain conditions, some veterans may be helped. I suspect it will not be too many out there because time is passing. Veterans have been dying and

so on, and other things have happened. At any rate, that is a suggestion.

**Mr. Stefanson:** Mr. Chairman, I know we discussed this at length last time, but based on the member's comments, maybe I will just take one moment to outline the eligibility. It will only take a moment.

In order to be eligible, a person must have served in the navy, army, aviation or auxiliary forces raised by Canada or any member of the United Nations in World War I, World War II or the Korean War, and must be in receipt of a military disability pension. So eligibility also extends to the pensioned widow of a soldier and the pensioned widowed mother of a deceased soldier or a totally disabled soldier confined to a hospital or sanatorium. This \$50 exemption from taxes applies to the property of these persons when, as the member mentioned, their only source of income is the military disability pension and the old age security pension, and they are a resident in Manitoba. That is the eligibility and the criteria.

Certainly, it is provided, as we know, under The Soldiers' Taxation Relief Act which was proclaimed on March 14, 1919. We will certainly take note of the member's suggestion in terms of it might be appropriate to at least communicate with some of the veterans' organizations to remind them.

**Mr. Leonard Evans:** I thank the minister for that information. I do hope that he does take an opportunity to write to the various legions and army and navy clubs. It could be that very few people can qualify over and above those who have already applied because of the restrictions of the program, and I would also observe that this is sort of a program that you would expect in Family Services today rather than the Department of Finance, but I am not trying to be critical in that respect.

Just passing on to the Tax Appeal Commission, I had asked questions about this previously, in previous years. I gather that this is really a commission that is made up of staff ultimately who can review appeals from persons who believe they have been treated unfairly for whatever reason.

Am I correct? This is really an internal body. There are no commissioners as such appointed outside of the

government. If I am wrong in that, I would like to be told that, Mr. Chairman.

**Mr. Stefanson:** Mr. Chairman, the Tax Appeals Commissioner is independent, does not report obviously back into the Taxation Division or even to the Deputy Minister of Finance. Under the act, taxpayers who disagree with a tax assessment that they have received are allowed 90 days to file an objection with a commissioner appointed by the minister. The current commissioner is Mr. Glenn Russell, who is a chartered accountant.

The notice of objection process is similar to but is less formal than the federal income tax procedures. A commissioner, upon considering the matter that is appealed, either affirms, rescinds or amends the assessment and notifies the appellant, the director and the minister. If the taxpayer or the director disagrees with the commissioner's decision, either party may appeal to the minister. Beyond that, of course, the taxpayer always has the recourse ultimately to the courts.

**Mr. Leonard Evans:** Mr. Chairman, I wonder if the minister could indicate how many appeals were received in the past year or some past appropriate time, and what are the appeals dealing with mainly? Is it retail sales or is it the payroll tax or corporation capital tax?

**Mr. Stefanson:** As I mentioned, just to make it clear, the areas of taxation that can be appealed in this area are the retail sales tax, the payroll tax, the corporation capital tax, the mining tax, not personal income tax, that is dealt with separately.

This act was proclaimed on March 1, 1993, so to give the member a sense of the numbers, for the fiscal year '94-95, we had a carryover of 10 from when the legislation was first introduced, and we received 25 in that year. So for 1994-95, we had 35 appeals before the commissioner, and how they were dealt with is, 12 were denied, three were partly denied and 12 were referred to Taxation which were deemed not to really be an appeal issue. That makes a total of 27. Eight were carried forward to the next fiscal year '95-96. So in '95-96 we had eight carry forward and we received 25 more appeals again for a total now of 33 in '95-96. What has happened in '95-96 is, 12 were denied, five were partially denied, two were referred to Taxation as they are not an appeal issue, and three of the appeals were upheld for a

total of 22, leaving us with 11 outstanding appeals at the end of March '96, and I obviously do not have any current information from March 31, '96 on.

**Mr. Leonard Evans:** Mr. Chairman, that gives us an idea of the activity level of the Appeal Commission. Obviously the bulk of them, from this information, seems to be either, assuming they do apply and they are not referred to some other division of the department, most of them are being denied. At any rate, I wondered, to what extent does the department make people aware that they have this independent appeals process now available to them for whatever tax that they happen to pay? Do you send out an information sheet to say, some of the retail businessmen or business people, for instance, or just what does the department do to make the public aware of the Tax Appeal Commission process?

**Mr. Stefanson:** Mr. Chairman, I would prefer to deal with that question when we have some of our taxation staff. My expectation is, individuals are notified of a process whenever they have a notice of reassessment, but, I think, in terms of getting very precisely how that notification is done and what the process is, when I have one of our taxation staff, perhaps we can go that question.

\* (0940)

**Mr. Leonard Evans:** When the appropriate staff come in, then I will just assume someone will take the initiative to just give us that bit of information. The minister referred to the right of appeal to the courts, but, as I read the manual that I have here, it says that the expected results of this commission, one of the expected results is resolution of appeals with fewer appeals to the Minister of Finance, so it implies there that there is a provision for an appeal to the minister as well. So what do you do, you go up from the commission, and, if you are not satisfied with that decision, you go to the minister and then from the minister to the court?

**Mr. Stefanson:** Mr. Chairman, that is correct.

**Mr. Leonard Evans:** I look forward to getting a bit of the information when the appropriate staff come in.

So that is all I have under this area, and I would like to pass on to Treasury, which is another Resolution 7.2.

**Mr. Chairperson:** In that case, we will pass Resolution 7.1 at this time, everything except for Minister's Salary.

7.1. Administration and Finance (b) Executive Support (1) Salaries and Employee Benefits \$337,700—pass; (2) Other Expenditures \$69,200—pass.

7.1.(c) Management Services (1) Salaries and Employee Benefits \$405,600—pass; (2) Other Expenditures \$66,400—pass.

7.1.(d) Payments Re: Soldier's Taxation Relief \$3,000—pass.

7.1.(e) Tax Appeal Commission \$20,000—pass.

We will now deal with Resolution 7.2. Treasury (a) Administration (1) Salaries and Employee Benefits.

**Mr. Leonard Evans:** Mr. Chairman, in this area, there is responsibility to investigate and be knowledgeable about the various markets in the world that are relevant to the province for our borrowing purposes. I was wondering, and there is reference in the manual to maintaining close contact with the world financial community, so I wonder if the minister could tell us, just how is this achieved? Is this where he and staff take off for New York or Tokyo or whatever? Just where are the markets, and how is this achieved presently?

**Mr. Stefanson:** Mr. Chairman, the contact is primarily and almost totally from the staff in this area, mostly through computers and virtually daily contact by telephone. As the member could appreciate, it is an ongoing process, so our senior staff in this area are in contact with the investment community literally daily by phone, assessing the market, all of the factors affecting the market, and so on. Certainly occasionally there are trips by either senior staff or the minister, usually about once a year to New York to meet with the investment community there or at least once a year to Toronto to meet with the investment community. Usually if there is a trip outside of North America, it is usually tied in if we are doing a particular issue or a borrowing at that time—most often is when we will tie in both being there for the launching of the issue, but also then taking advantage of meeting with the investment community whether it is in London or in Tokyo or elsewhere, which happens probably at most on average once a year, if that.

**Mr. Leonard Evans:** Just where are the markets? The minister made reference to New York, Tokyo and so on, but basically where? This is a fluid situation. Interest rates change, the value of currencies changes, opportunities change, so just which markets are prevalent today for Manitoba?

**Mr. Stefanson:** Certainly in the last couple of years our market has been primarily Canada. Manitoba represents a good market, as the member knows, through both our Builder Bond and our HydroBond programs, in fact, on average probably about 20 percent of our requirements for Manitoba.

Another significant element comes from Canada, and over the last couple of years we have only used the non-North American market for maybe 10 or 15 percent of our total borrowing. But again, I think, as I think the member knows, when we do borrow outside of North America, whether it is in Japanese yen or some other currency, we do swap it back to either a Canadian or a U.S. exposure, so that today, all of our debt servicing here in Manitoba is either in Canadian currency or U.S. currency. We have no debt servicing in any currency other than U.S. or Canadian, and the breakdown on that debt servicing is, about 68 percent Canadian, being serviced in Canadian dollars, and about 32 percent being serviced in U.S. dollars.

I wanted to point out, when I gave that percentage breakdown of the 68-32, that is our total debt, our tax-supported debt, but also the debt on behalf of our utilities, primarily Manitoba Hydro. Again, I think the member knows that at least a significant portion of that U.S. debt is basically hedged because Manitoba Hydro sells, I believe, about one-third of what they produce to the United States. That provides a hedge against some of that U.S. debt servicing.

**Mr. Leonard Evans:** Well, certainly it makes life a little simpler, less trying, to have your debt held in fewer rather than many, many countries. Of course, we live very close to the United States, and we are more aware of what is going on, I guess, in the United States than we are in Japan or Switzerland or whatever.

At any rate, the minister mentioned HydroBonds. Could he comment at this time how the current issue is going? What is the take-up? I know we are in the

middle of it, there is advertising going on and so on, but does he have any comment to offer at this time?

**Mr. Stefanson:** Mr. Chairman, to date, and, as the member recognizes, we are still fairly early in the campaign, we are running at between 50 percent and two-thirds of last year's rate, but recognizing that, even looking at last year's sales, we did the vast majority of our sales in about the last three or four days. That has been the traditional pattern of Builder Bonds and of HydroBonds; most individuals do wait till near the last day to make that final decision where they are going to place their money. That will be the ultimate test how much we end up issuing here in the Province of Manitoba.

I should point out that, in terms of the information I provided the member just a few moments ago on the debt servicing, those ratios I gave him, the 68-32 percent that I gave him, are correct ratios, but I said they included all of our debt, and that is wrong. That only includes our tax-supported debt. It does not include the debt of Hydro and our utilities, and I could certainly provide him with the overall percentages if we were to take the full combined debt of our utilities and our tax-supported together, if I were to roll them all together, so I would gladly provide him with that combined revised number. So the 68-32 is only our tax-supported debt, not combined, but the rest of what I told him is accurate that Hydro does hedge a significant amount of what they have because of the U.S. sales and so on. I will undertake to provide that revised information.

\* (0950)

**Mr. Leonard Evans:** I thank the minister for that undertaking. Grow Bonds, to what extent is this department involved in that program? I appreciate a lot of the administration probably is through the Department of Rural Development; nevertheless, I would think the Ministry of Finance has some role to play here. I wonder if the minister could explain that at this time very briefly.

**Mr. Stefanson:** Mr. Chairman, we do not play any direct role in the Grow Bonds Program. As the member knows, it is an area of responsibility for Rural Development. Our involvement takes place if there is a call on any of the guarantees because, again as the member knows, the principal of Grow Bonds is guaranteed by the government of Manitoba, so when we

get involved is if there is a call on that guarantee against the Grow Bond.

**Mr. Leonard Evans:** I would ask the minister, have there been many calls for guarantees?

**Mr. Stefanson:** To the best of my knowledge, what I am being informed here now is I believe there has been one call on a guarantee, but, again, that is information I will gladly provide in terms of whether it is one, or if there are more, and the name of the company. I am fairly certain that there was one call on one guarantee.

**Mr. Leonard Evans:** Just passing on again under this area, another area of responsibility here is establishing interest rates for loans to Crown corporations, government agencies, school boards and so on. I was wondering if the minister could explain, what is the current method of establishing those interest rates? What is the procedure used, and, more or less, what are the rates now being offered or required of these various agencies that I referred to?

**Mr. Stefanson:** Mr. Chairman, the process is at the start of every month we take the Canada rate for different issues, whether it is five year, ten year, depending on the term of the issue, what Manitoba's spread is from the Canada rate, whatever our borrowing spread would be at that particular point in time in the market, to come up with a rate, and then that rate is also adjusted for a service charge because, obviously, we have costs for providing financing.

That becomes then the rate at the start of each month that we lend money to the Crowns and so on at. That becomes the rate for the month. Unless we see a significant swing, we continue as we discussed earlier. We watch the market on a daily basis, so if there is a fairly significant adjustment, then we will even adjust that rate during the month, but it is done automatically at the start of every month as I have just explained.

**Mr. Leonard Evans:** I will also ask, what current rates are we looking at? Say, if a hospital or school or whatever wanted guidance from the department, what interest rates would they be looking at?

**Mr. Stefanson:** Mr. Chairman, the simplest way maybe to give it is to give the member some examples of what

we could have borrowed at as of May 29. Now, this does not include the service charge that would be tacked on. The service charge on average would maybe be about a quarter of a percent or thereabouts, so to give the member an example, we could have borrowed a 10-year bond at 8.06 percent, Manitoba T-Bills were 4.7 percent, prime rate 6.5 percent and so on. So using the 10-year as probably a good benchmark, it would be 8.06 percent, plus on average for hospitals maybe another quarter of a percent or thereabouts.

**Mr. Leonard Evans:** Could you indicate the level of activity of loans to some of the agencies, school boards, hospitals and municipalities in particular. Is there a great deal of lending activity occurring at this time? I know this is just a general observation I am asking for. I do not expect a lot of numbers.

**Mr. Stefanson:** Mr. Chairman, there is some activity every month. What I can undertake is certainly to provide that information before the day is out in terms of what the total activity would be for a year, as an example to give the member a sense of the magnitude.

**Mr. Leonard Evans:** I thank the minister for that offer and we look forward to getting that information also. Strategies for investment of Sinking Funds, there is a lot of money involved here, I gather approximately \$4 billion. It is a pretty broad reference here, establishes strategies for investments, but just what are the strategies? I mean, security, safety is obviously one element of a strategy but, nevertheless, is there something we should know here. Is there something unique in Manitoba regarding investment strategy of Sinking Funds?

\* (1000)

**Mr. Stefanson:** Mr. Chairman, as the member can appreciate, one of the main functions here is to coordinate that our funds in our Sinking Fund are available and come due at the same time as the debt. So that is obviously a key strategic objective, that that money has to ultimately grow to an amount that is equivalent to the debt that we want to retire with the Sinking Fund, so that is one objective, the timing of it. Number two, of course, is to try and maximize our return on the money that is invested. The investments are primarily in either government of Manitoba bonds, other provincial government bonds, or Government of Canada Canada

Bonds. That is the primary area of investment with the Sinking Funds that are available.

(Mr. David Newman, Acting Chairperson, in the Chair)

If I could take just one moment on a previous question the member asked on the Grow Bonds, again, to the best of my knowledge there is the one company, and the one company is Mass Technologies in Morris, Manitoba. I think that was made public some time ago. They had a bond issue of \$150,000 and that was the one area that the guarantee was called on back some time ago, I believe in 1995.

The other issue I said I would get some information on when I talked about the debt servicing, if you combine the tax supported with all of the utilities, 58 percent of it is serviced in Canadian dollars and 42 percent in U.S., so obviously the U.S. portion grows because we have some U.S. debt, primarily for Manitoba Hydro.

**Mr. Leonard Evans:** I gather from the material the minister supplied us, Supplementary Information, that investment accounts aggregate approximately \$4 billion. On the other hand, I know on a subsequent page, the aggregate amount of investments outstanding is March '97, will approximate \$6 billion. Are we talking about the same investments or do we have just two different estimates as to the amount of the investment?

**Mr. Stefanson:** Two completely separate issues. The \$4 billion referred to on page 36 is the money that has been set aside in the Sinking Fund as we have already discussed. The bottom of page 38, the \$6 billion that the member is referring to, really represents the advances to the Crown corporations, the advances to Hydro, to Manitoba Telephone System, to Manitoba Agricultural Credit Corporation, and so on, so they are two completely separate investments.

**Mr. Leonard Evans:** Again, as I say, looking at this Supplementary Information guide which is very useful and incidentally did not always exist—I guess the supplementary material is a creation of the last four or five years. It has not always been around.

At any rate, I thought I was looking at the Activity Identification. It looked fine, and then I came to the very

last line under Activity Identification on page 36 and it says, operates the Treasury division effectively and efficiently. I said, my golly, there is nothing immodest about the person who wrote this one. I thought it was rather self-congratulatory. I think I know what they mean but, at first glance, you might think, well, we are doing a pretty good job here. So we assume they are correct.

Okay, just asking another question in this area, under Treasury again, under Capital Finance, what is the province's current rating? We are forever concerned about our ratings because it obviously affects the interest rates that we have to pay to borrow. Could the minister give us sort of a rundown on how we are now rated and how are we comparing with some other comparable provinces?

(Mr. Chairperson in the Chair)

**Mr. Stefanson:** There really are the four credit rating agencies that are the most commonly referred to—Moody's, Standard and Poor's, Dominion Bond Rating Service, and Canadian Bond Rating Service. I will not read all of the ratings for the member. I will gladly provide him with a summary, but Manitoba does fare well within that rating category. I will just use one example. I will take Moody's, which is one of the more known. Recognizing that AAA is the best you can have, AA the next best, and then A the next, and within each of those you have various ratings, so to give you an example, Moody's rates Canada as a AA1. They rate Alberta as a AA2, British Columbia as a AA1. They rate Manitoba as an A1, New Brunswick as an A1, Newfoundland as BAA1; Nova Scotia as an A3, which is lower than Manitoba; Ontario a AA3; Prince Edward Island, A3, which is lower than Quebec, an A2, which is lower than Saskatchewan, an A3, which is lower. So it gives you a sense that the only provinces that are really rated higher than Manitoba would be Alberta, British Columbia and Ontario, I believe.

What is really interesting is when we looked at our borrowing last year, Manitoba was able to borrow at the third-best borrowing rates in all of Canada. Only Alberta and British Columbia were borrowing money at lower interest rates so even though we have a lower credit rating than Ontario, we were trading through them. We were borrowing money at better interest rates than Ontario. To me, that is the true test of the market and the

confidence, is what people are prepared to pay; they are prepared to accept a lower return on Manitoba paper obviously because of the combined confidence in our province, in our economy. I could get very political with all of this but I will not bother. But that is the true test, what investors are prepared to accept as an investment.

\* (1010)

I want to share with the member that many of the assessments of Manitoba in recent months have been very positive in terms of the expectation of our credit rating outlook because we are really trading like a AA. We are trading better than Ontario which is a AA, so we are trading like a AA. So many of the investment dealers, whether it is Merrill Lynch or whether it is Salomon Brothers, in their analysis of our province, are really suggesting and almost recommending that Manitoba deserves an upgrade. I would like to see that day come but the good news is, even though we are an A, we are trading like a AA, so we are getting the benefit of that kind of lower interest rate.

**Mr. Leonard Evans:** So in effect, Mr. Chairman, the minister is saying that a credit rating is but one guideline or guidepost for the real interest rate that we have to pay. In other words, people who are prepared to buy Manitoba paper, yes, they will look at the ratings of the agencies but still look beyond that as to what they perceive to be the risk factor in lending in Manitoba and that sort of thing, so we are getting the AA impact even though we only have an A1 rating.

**Mr. Stefanson:** Mr. Chairman, that is basically correct. There are the two elements. There is what the investors themselves are judging, particularly the larger investors, and that is what the member referred to, that they are making that decision themselves saying they are treating Manitoba basically like a AA, but it is also what the investment community itself, what the investment dealers are saying. I cited a couple, and really that trend is fairly common with most of the investment dealers, that they are speaking very positively about Manitoba, so that also helps us in terms of the recommendations to investors and what the investment dealers are saying about Manitoba and about the quality of our paper, of our bonds.

**Mr. Leonard Evans:** People who buy our bonds or any bonds, of course, from government want to look at the

fiscal policies, and if a government is determined to cut back on spending, especially cutting back on spending—I do not think they are so enamoured when governments say they want to hold the line on taxes because the agencies are quite happy for you to increase taxes because that is another step in assuring them that the government will have the revenue flow in order to pay off the debts, to pay off the bonds.

I was wondering, what rate are we looking at at the present time? You say, effectively, we have sort of a AA type of interest rate being offered. More or less, what is the rate now that we are looking at?

**Mr. Stefanson:** As of today, we are basically trading at about 23 basis points above Canada. Canada is the benchmark as we all know. We are trading at about 23 basis points, so just under a quarter of 1 percent above Canada. To give the member some examples what that would translate into today, if we were to do a 10-year issue, we would be at approximately 8 percent on a 10-year issue. If we were doing a five-year issue, we would be at approximately 7 percent. Our Hydro Bond issue, which is really a one-year issue, is at 5 percent, as the member knows. As the term goes down the interest rate goes down; as the term goes up, the interest rate goes up. That gives the member, I think, a sense of what it would be costing us if we were borrowing today.

**Mr. Leonard Evans:** I thank the minister for that information. Just as an aside, I rather smile at the rating agency's determination of federal debt because, as long as the federal government has the power to tax its citizens, which I think is an ongoing power, and as long as the federal government is as responsible as it is for the central bank, for the life of me I do not see how anyone would want to rate a government unless it was facing some sort of a revolution maybe, rate the Canadian government less than the very top, AAA.

They say they are worried about the level of—the reliability of Canadian government loans. I think this is hilarious. They do not understand people who talk in those terms. I surely do not understand that ultimately the Government of Canada controls the money supply through the central bank. It can print all the money we want. I am being a little facetious here, but, I mean, it can and will pay its bonds; it has that ability. At any rate, that is just an aside.

Just passing on to the money management and banking area here, just a quick question. There was reference made to the branch arranging 1,500 short-term investment transactions, over \$25 billion of investment purchases. Who are you dealing with? Could you just elaborate a bit on this, who were you dealing with in this area?

**Mr. Stefanson:** This really represents the aggregate of all of the investment done on behalf of, primarily the Crowns, MPI, any surplus cash at any given point in time, Manitoba Hydro might have surplus cash, similar to Manitoba Telephones, even our special operating agencies, and so on and so forth. So this is the aggregate of investing all of that money throughout the year. It is primarily invested in areas like Government of Canada bonds, various provincial Treasury Bills and so on. That is the nature of the types of investments where this money is primarily placed.

**Mr. Leonard Evans:** I thank the minister for that information. Who are we dealing with? I guess we are dealing with one, two, three, or a set of brokers on most of these? Could the minister tell us who do we deal with usually?

**Mr. Stefanson:** The vast majority of this activity is with the major Canadian banks and the major Canadian investment dealers—Wood Gundy, Dominion Securities, ScotiaMcLeod, and so on. That is virtually the vast majority of who we are dealing with. Of course, we are looking at the market as we discussed earlier, basically on a day-to-day basis and we will place it where we can get the best return. Those are the organizations that we are working with and utilizing to provide the service.

**Mr. Leonard Evans:** I thank the minister for that information. In this area of responsibility, too, I gather, we negotiate banking agreements and various process changes are going to occur through these renegotiations, and I understand—and I think this is rather interesting to read—a reduction in banking service charges of approximately a third, and this is excellent. I wonder if the minister could tell us, how much money are we saving here? Can he elaborate on this at all?

\* (1020)

**Mr. Stefanson:** I think we touched on this last year, and I believe the member knows that this past year we put out

our banking for proposals again and received proposals from most of the major banks in terms of providing our bank services. As a result of going through that proposal again and some reduction in volume, we are now saving about a third as indicated here, which represents about \$100,000 reduction in costs overall through less volume and through lower costs. The successful bank, as a result of that search, was the Royal Bank again for our main banking, who had been our banker. At that time they had the best bid package again, and again have the main banking of the Province of Manitoba for—I would have to confirm the duration, whether it is a three or five years contract, again similar to what we have had in the past. That has served us very well and as a result we have \$100,000 less costs for our banking services.

**Mr. Leonard Evans:** I thank the minister for that information. It seems to me that the Royal Bank has been the province's bank forever. I think it is appropriate that we give other banks an opportunity at least to bid and open it up and see what is out there, what services other banks are prepared to offer. Having said that, I am not trying to be critical of the Royal Bank at all. We have to go through this process, it seems to me; we have to be prepared to renegotiate from time to time.

Just passing on to another area—this is Treasury Services—just a question about Sinking Fund investments. Apparently this Treasury Services section that services the Sinking Fund investments of the province, Hydro, MTS, MHRC and the University of Manitoba, I do not know why MPIC is not included. That is one question.

My other question is—it says, providing safekeeping operations at a number of locations around the world.

I wonder if the minister could explain that.

**Mr. Stefanson:** Mr. Chairman, the reference to Manitoba Public Insurance is in the very next paragraph. Safekeeps and services the long-term investments of major accounts such as the Manitoba Public Insurance Corporation.

So MPI is also included along with those other Crowns.

In terms of the reference to the number of locations around the world, if we were to buy any Province of Manitoba bonds or other provincial government bonds

that were a U.S. bond, that would be kept in New York. If we were to buy a bond that is on the Euro-Canadian market, a Manitoba bond or another government bond, that would be kept in London. We still do have some bonds in some other countries even though we have swapped them back, and if for whatever reason we were to invest in a Swiss bond or Japanese yen or whatever, it would be kept in that place of origin, in Tokyo or Zurich or whatever, the actual documents, although there is much less paper than there was in the past.

So that is the reason for that reference, is that the Canadian bonds are kept in Toronto and U.S., New York and so on, so that is why that reference is made.

**Mr. Chairperson:** At this time we will pass Resolution 7.2(a) Administration (1) Salaries and Employee Benefits \$128,200—pass; (a)(2) Other Expenditures \$123,100—pass.

7.2.(b) Capital Finance (1) Salaries and Employee Benefits \$268,300—pass; (2) Other Expenditures \$37,300—pass.

7.2.(c) Money Management and Banking (1) Salaries and Employee Benefits \$441,000—pass; (2) Other Expenditures \$278,900—pass.

7.2.(d) Treasury Services (1) Salaries and Employee Benefits \$443,100—pass; (2) Other Expenditures \$43,300—pass.

**Mr. Stefanson:** Mr. Chairman, could I just ask, because we have Treasury division here now, further on in the Estimates, page 62 is Public Debt. Now we have had some questions, discussions around Public Debt, around what we borrow at, what our borrowing rates are, so on and so forth. I am just wondering if it would be appropriate if there are any other questions around the whole issue of debt, whether we could deal with that now, and then Treasury division could be through for the morning and get on to investing our money and checking the markets.

**Mr. Leonard Evans:** Specifically, are you asking that we deal with the Treasury Board now?

**Mr. Stefanson:** Mr. Chairman, just the Public Debt issue which is on page 62 of the Main Estimates. It is

just our total debt servicing, the \$575 million of debt servicing.

**Mr. Chairperson:** That would be under Resolution 7.8 and it would be S9?

**Mr. Stefanson:** That is correct, Mr. Chairman.

**Mr. Chairperson:** In the blue book. Are you looking for it in the Supplementary Estimates?

**Mr. Leonard Evans:** Mr. Chairman, where is this in the Supplementary Estimates?

**Mr. Chairperson:** Page 99 of the Supps. Would that be agreed to by the committee then, that we move to Resolution 7.8S to deal with the Public Debt (Statutory) line at this time?

\* (1030)

**Mr. Leonard Evans:** Yes, we could, Mr. Speaker. I do not really have too many questions. This is an area of policy that we debated many a time in the House. I had a lot of questions and answers on the level of debt and what has happened to it and so on. Obviously the statutory debt is showing a decrease here, a fairly substantial decrease between '95-96 and '96-97, as I read this. At any rate, this gets you into a general area of policy. I cannot but be concerned that, in spite of everyone's—

**Mr. Chairperson:** Order, please. We are going to move to that line. Can I just finish off Resolution 7.2 then. I will just finish Resolution 7.2; I just had not finished passing the resolution yet.

Resolution 7.2: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,763,200 for Finance, Treasury, for the fiscal year ending 31st day of March, 1997.

**Mr. Leonard Evans:** Mr. Chairman, what we are dealing with here specifically is the interest on the public debt. I note that the more interesting way of looking at these numbers is to relate them to the ability of the province to pay the debt and to see to what extent it is a burden on the taxpayers. One way of doing that as shown in the budget document is to calculate the percentage of each dollar spent by the province that goes towards

interest on the debt. I was wondering, has the minister any information for us about this interest burden? I mean, what percentage of the public debt—pardon me, what percentage of total spending is interest on the public debt? There are some numbers in here, although they are always subject to revision and so on.

**Mr. Stefanson:** Mr. Chairman, our debt servicing as a percentage of our total government expenditures is approximately 10.7 percent, and on a per capita basis, that is the second lowest debt servicing cost in all of Canada.

**Mr. Leonard Evans:** Well, the 10.7 is lower than the figure shown in the budget document, which for '96-97 shows 11.5. That is public debt cost as a percentage of operating expenditure, and I guess what the minister is giving me is a revision of that number. Is that correct? Are we talking about the same numbers, same type of numbers? Page 26 of your financial review and statistics in the 1996-97 budget.

**Mr. Chairperson:** I am just going to clarify it. So there was leave then to move to this line. Leave was granted.

**Mr. Stefanson:** Mr. Chairman, the difference can be clearly explained. I guess if you were to look at page 18 of our main budget document under the financial review and statistics, you will see the Public Debt costs at the 10.7 that I referred to, and that is as a percentage of our total government expenditures at 10.7 percent. The reason that the 11.5 the member referred to on page 26, that is as a percentage of operating expenditures, which would not include the capital expenditure. So that is why it is a higher percentage, because it is based on a percentage of only the operating expenditures, not including the capital. If you add in the capital expenditures, then as a percentage of our total expenditures, public debt is 10.7 percent. Okay.

**Mr. Leonard Evans:** I thank the minister for that clarification. I understand that, but referring to public debt cost as a percent of operating expenditure per se, showing 11.5—one can use either statistic, I suppose, but I refer to that because you have historical information.

What you can see is that back in 1987-88, it was 12 percent, then it dropped down to 10.4 percent in '88-89, but generally it has been almost constant. I mean, if you

put it in a line, and looked at it over a period of years, in a ranging from 9.9-something to 12, there has been some variation, but generally, you know, give or take roughly 10 percent of the total of operating expenditures, and I think if you go back beyond that to—I do not have those numbers with me, but if memory serves me correct—that percentage number was not much different back in the early '80s. Now, if I am wrong, maybe the minister could correct me. I do not want to mislead anyone, but my recollection is that this number has not wavered that significantly over a long period of time, and it seems to me that is the relevant way of looking at public debt costs. I mean the number per se is important of course, but to put it into context, we should look at it, what is the burden to the taxpayers in terms of percentage of expenditures.

**Mr. Stefanson:** Mr. Chairman, that is not entirely accurate because if you do go back, as an example, to 1981-82, the percentage of expenditure servicing debt was 4.7 percent. By '89-90, that had grown to 10.2 percent. I am talking now, the total expenditures, the equivalent of the 10.7, so this is on total expenditures, but that shows you basically a doubling in that seven- or eight-year time frame.

If you go back historically to the early '80s, it was significantly lower; in fact, if you want to go back to '75-76, which I do not think is all that long ago, the debt servicing costs were 1.3 percent. So there has been a fairly dramatic increase certainly during the '80s in terms of those debt servicing costs. I am prepared to discuss this at length in terms of the concerns I have around that growth in debt servicing costs and what that does to our ability to provide all of the other services that government should be providing, because the reality is governments are going to have ongoing capital requirements on an ongoing basis.

We have to spend at least \$300 million a year to maintain our infrastructure, our roads, our schools, our health care facilities and so on. So I think the argument that one could take on more debt for those capital facilities is an incorrect one, and what we have to be doing is stopping the growth in debt and actually start paying down the debt so that we can free up that \$575 million that is now going in interest only to do other things here in our province. So that gives you a sense of the historical information on debt servicing in Manitoba.

**Mr. Leonard Evans:** Nobody wants excessive debt; no party would suggest that and there are reasons why debt increases, a lot of reasons. Often it reflects the economic situation and I would only observe that the pattern that the minister describes—I had the handicap of not having the numbers back to early '80s; I was going from memory. It seemed to me for a long time we have been around this 10 percent, and of course we have been, at least according to these numbers back to '87-88.

But I dare say if you looked at all the provinces and the federal government, you would see this pattern of increased debt burden in the past, this period of time that we are discussing, and it does reflect in some ways the economic situation and it reflects the bank interest rate policy. When you are looking at double digit interest rates back as we were earlier in the '80s, this does impose a big burden and it does contribute to the escalation of debt. But surely no government, no party, wants to have excessive debt.

\* (1040)

I was with an administration under Mr. Schreyer and I believe—and again I have to go back and look at the numbers—the burden of debt was relatively modest, and I do not believe it really changed much after being in office for about eight years. I think the number was about the same, maybe even lower than it was—this is a percentage of operating expenditures, I guess, or maybe percentage of total spending, one or the other—that it really did not deteriorate. Even though we engaged in many big programs, including housing programs and investment in commercial enterprises, et cetera, plus additional money spent on social programs, health care programs, bringing in Pharmacare, bringing in dental programs for children in rural Manitoba and northern Manitoba, et cetera, we were able to sustain this high level of expenditure without worsening the debt situation relatively, and the main reason for that is because we had a strong economy. There is nothing like a strong, growing economy providing additional revenues to the Treasury for maintaining your relative fiscal health. I just make that as an observation.

Of course, we have our sister province, Saskatchewan, here. The New Democratic Party government in that province has had a long record of balanced budgets and surpluses and so on. At any rate, I do not want to get

into a big political debate here because what we could do is say, well, look what we have seen in the last 10 years under this government, or eight years under this government, is that the debt per capita has gone up by roughly a third, which I gather is the case.

If we look at '88-89, the debt per capita was \$9,580. As of '96-97 budget, it was \$12,102, a fair increase per person. So there has not been a lessening of the debt burden in terms of using those kinds of figures. In terms of total spending, it seems to me that you have not had a dramatic change in public cost spurt.

**Mr. Stefanson:** The member is right. He and I could get into a long political debate on this issue, and I know there is limited time for all of our Estimates review, and we can save that for other days and other forums. I would welcome us having a good—whether it is a public or private discussion at length about debt servicing, performances of various governments, and so on. I think that would be an interesting discussion that the two of us could have on that issue.

**Mr. Leonard Evans:** This is fine. I gather the minister does agree, though, that the best solution to debt problems is a fast, strong, growing economy. There is nothing like a good economy providing increases in taxes for success.

**Mr. Chairperson:** I think you are getting baited into a debate.

**Mr. Stefanson:** I think you are right. I think the member wants to get into a debate. I would agree that that is one very important element, but I also would suggest that another very important element is that government's control their expenditures, set the right priorities, and so on. I do not think enough of that happened from governments for many years, particularly during the late '70s and particularly in the '80s.

Since I am taking the bait for 30 seconds, the member is right. If you go back to 1969, our debt servicing in Manitoba was almost nil, but by the late '70s that had grown to about four percent. Our debt servicing is a percentage of our expenditures. I guess if I have a period of concern where our debt servicing exploded, it was the period 1981 to about 1988, that is where our debt servicing costs more than doubled, and we have been able to, as the member for Brandon East suggests, at least

during our term now, to hold that flat. In fact, we are now starting to see a reduction in our debt servicing costs, so I would say that is positive.

The period of time that I would view as the period of greatest concern was that period in the 80s, Mr. Chairman.

**Mr. Leonard Evans:** Again, we do not want to get into a big debate on this because it is very easy and very interesting actually. I would just comment that what happened in Manitoba by way of this pattern is what happened throughout Canada. It is a function of a) recession, b) the determination of the government at that time to fight the recession deliberately with some deficits to get Manitoba out of the recession, and I think we were the first of the Canadian provinces to get out of the recession. Of course, it is also a function of the very high interest rate policy of the federal government at that time. It did not help anyone in that respect.

What it does reflect is a concern by government for engaging in social programs and health care and education, and so on. Then you get down to the sense of values, and I guess this is what politics is all about, what is important and what do you want to do as a party, what do you want to do as a government in terms of health care, education, and social services?

I can only say that governments I have been associated with have been very active and positive in that respect, but there is a challenge, there is a problem. Manitoba's economy is not that strong and we do—I am using this in a historical sense—I regret that we have almost become the Newfoundland of the West in a sense. We should all regret this. Our economy has not been as strong as it could be or should be. It is difficult, therefore, for provincial governments who are being squeezed by the federal government—I would observe that as well—but also squeezed not only in terms of transfers but also in terms of the economic policies of the federal government, that it is a very great challenge for whoever is in government. I would say that, to be honest and open about it, those are the factors that we have to deal with.

Having said that, Mr. Chairman, I think we should just get on doing the regular review. I do not have any further questions. We could ask a lot of detailed questions administratively and so on, but I do not think we have

any, unless the minister wants to explain something that he thinks is worthy of attention of the committee.

**Mr. Stefanson:** Not really, Mr. Chairman. I think the fact that our debt servicing costs are going down is something that we could all say is positive. It is primarily driven by the fact that we are not adding to our debt and also that interest rates over that period of time did reduce. So that is obviously helping us as well, so those two factors are leading to us having lower debt servicing costs, which I think is certainly a positive for all of us.

**Mr. Chairperson:** This will conclude S9 then. There is no need to pass any of the items; they are statutory.

We will now revert to 7.3.

Item 7.3. Comptroller (a) Comptroller's Office (1) Salaries and Employee Benefits \$124,400.

**Mr. Leonard Evans:** On page 52, there is reference to a Senior Financial Managers Council, SFMC. I was wondering if the minister could tell us, just what does this council do? Who is this council? This is under Appropriation 7-3 (b) Financial and Management Systems.

**Mr. Stefanson:** Mr. Chairman, I am pleased to also introduce Mr. Eric Rosenhek, who is our comptroller in Finance and who I believe the member from Brandon East knows. What the Senior Financial Managers Council is, is really a group of the senior financial people from all of the various departments who meet to discuss, obviously, financing issues, accounting issues and so on. It is a grouping of the senior financial people from the various departments within government.

**Mr. Leonard Evans:** How active is this council? Does it meet when specific problems arise, or is it meeting regularly? Just how active and how effective is this council?

**Mr. Stefanson:** They meet on a regular, monthly basis. If something critical comes up and they are required to meet, they will meet, but it is on an ongoing regular monthly basis that they meet.

**Mr. Leonard Evans:** Just passing on, because we are limited for time. I gather we are going to conclude at

twelve o'clock. I understand other departments are to be reviewed, so we have to pass along here.

Looking at appropriation 7.(3)(d) Legislation Building Information Systems, here we are talking about computers among other things. I wanted to know whether this is the area of the department that relates to monitoring the agreement with what used to be called Manitoba Data Services. It was subsequently sold, the Crown agency was sold to the private sector and the name has changed several times. I am not sure what the latest name is.

\* (1050)

**Mr. Stefanson:** No, this is not the section; the Treasury Board is the section. We can certainly deal with that issue when we get to Treasury Board.

**Mr. Leonard Evans:** In that case, I think I will just pass on from Comptroller to Taxation. I mean, we could spend more time but we do not have the time so we will just go to the Taxation section.

**Mr. Chairperson:** Resolution 7.3(a) Comptroller's Office (1) Salaries and Employee Benefits \$124,400—pass; (2) Other Expenditures \$11,000—pass.

7.3.(b) Financial and Management Systems (1) Salaries and Employee Benefits \$517,300—pass; (2) Other Expenditures \$84,100—pass.

7.3.(c) Disbursements and Accounting (1) Salaries and Employee Benefits \$1,991,000—pass; (2) Other Expenditures \$1,072,200—pass; (3) Less: Recoverable from other appropriations (\$526,600)—pass.

7.3.(d) Legislative Building Information Systems (1) Salaries and Employee Benefits \$554,900—pass; (2) Other Expenditures \$309,700—pass.

7.3.(e) Internal Audit Services (1) Salaries and Employee Benefits \$1,390,200—pass; (2) Other Expenditures \$162,300—pass.

7.3.(f) Information Technology Services (1) Salaries and Employee Benefits \$729,600—pass; (2) Other Expenditures \$68,500.

Resolution 7.3: RESOLVED that there be granted to Her Majesty a sum not exceeding \$6,488,600 for Finance, Comptroller, for the fiscal year ended the 31st day of March, 1997.

We will move on to Resolution 7.4 Taxation (a) Management and Research (1) Salaries and Employee Benefits \$915,900.

**Mr. Leonard Evans:** A couple of questions in this area, one not so much relating to administration but more to policy. I would like to take this opportunity to raise a question of what has been called the payroll tax originally and still legally, the health and education levy.

I recall very vividly when the now-Premier (Mr. Filmon) was Leader of the Opposition, where he categorically stated that his government, his party, if elected, would abolish the payroll tax, not increase the level of exemptions only—and there is nothing wrong with that. As a matter of fact, I am sure if the previous government had maintained office, there would have been further raising of the exemption levels so that more and more smaller enterprises would be omitted or eliminated.

Nevertheless, this is shades of GST, you know. Mr. Chretien said, elect me and we are going to eliminate the GST. Mr. Filmon said, elect me and we will eliminate the payroll tax. Well, here we are eight years later and the payroll tax is thriving. As a matter of fact, the numbers are rather interesting in spite of the increased exemptions. Over the years the levy still maintains a fairly high level of funds for the province.

This year it has increased from \$193 million in 1995-96, it is increasing, according to the Estimates, to \$206.5 million in 1996-97. My question is, is the Minister of Finance now prepared to admit that his government will never, ever get rid of the payroll tax simply because he needs the revenue and it is just too lucrative a source of revenue, of funds, to be able to give up?

**Mr. Stefanson:** I think the member from Brandon East is baiting me again. That was quite a stretch to try and relate the payroll tax to the GST, I have to tell you, because if you go back to 1988, the threshold, the exemption level was either \$50,000 or \$100,000. It was no more than \$100,000 for sure. It might have been \$50,000 back in 1988. We have increased that

exemption seven or 14-fold so that the exemption today is up to \$750,000 and by increasing that exemption we have eliminated the payroll tax for over 90 percent of the businesses here in Manitoba.

So in terms of our commitment to eliminate it, we have worked towards eliminating it so that now over 90 percent of those businesses do not pay that payroll tax. We will continue to assess the threshold every budget, which we do. We have consistently over various budgets, out of our nine budgets and many of them increased this exemption, will continue to look at that in terms of what we can do in that area and the day might very well come when the exemption is such that everybody is exempt.

Mr. Chairman, make no mistake. Our commitment to work towards the elimination of the payroll tax has been fulfilled to the level of in excess of 90 percent today, which is a major accomplishment during a period in time when we are also dealing with controlling expenses, not increasing any other major taxes, reducing personal income taxes, having one of the lowest provincial sales tax rates in all of Canada, and so on.

The member for Brandon East and I have got along quite well so far this morning, but that was an enormous stretch to even attempt to relate the payroll tax to the GST. There is absolutely no comparison, whatsoever, to the very unequivocal commitment made by the federal Liberals during the last federal election, and the fact that we all know all that they came back with was the same proposal that the previous Conservative government put forward which was full harmonization.

That has not been the case with what we have done with the payroll tax where we have consistently increased the exemptions from 90 percent of businesses, and I deal with many of the business groups and many of the businesses, and if you talk to organizations like the chambers, the Winnipeg Chamber, the Manitoba Chamber, the Canadian Federation of Independent Business that represents 4,000 to 5,000 small businesses, really the payroll tax is now not an issue with them because most of their members do not pay it. Because 90 percent are not paying it, it is no longer a priority issue with the vast majority of those business groups or those business entities.

**Mr. Leonard Evans:** Well, the minister can try to wiggle out of this one if he can. He does a pretty good job on a lot of issues, but the Premier's (Mr. Filmon) statement at that time, and I refer you to Hansard, was not to say, elect us and we will eliminate the payroll tax for 90 percent of Manitoba businesses; he said, elect us and we will eliminate the payroll tax.

Of course, that was stated by Mr. Manness, as well, when he was in the opposition, many a time, many an occasion, and if one had the time, you could take all these—and it was an issue in the election too. I think the people understood there would be an elimination, not a reduction, in the number of firms paying.

On that point, Mr. Chairman, I would like to ask the minister just how many firms, approximately, are now paying the payroll tax, or the health and education levy?

**Mr. Stefanson:** Mr. Chairman, I was remiss at the start of this section that I should have introduced Mr. Barry Draward who is our director of Taxation Management and Research within the Taxation Division.

Today there are approximately 2,200 to 2,400 firms, or organizations, paying the payroll tax.

If I could just take a moment on that previous question that we deferred til this section in terms of the tax appeal, there is a notice of the ability to appeal printed on every assessment notice that is provided, so in that way, individuals or organizations are automatically informed.

**Mr. Leonard Evans:** Mr. Chairman, well, okay, for at least the major companies, corporations, 2,200, 2,400, the payroll tax continues to exist, and it is an important source of revenue. I can understand any Minister of Finance being very reluctant to say, hey, we can afford to give this up.

The other advantage of the tax, as I understand it, if you can call it an advantage, it does tax national agencies, federal agencies and so on, hopefully, without putting an additional, or too much, burden on our economy as such; that it is a source of, and, therefore, a very important source of revenue for Manitoba.

**Mr. Stefanson:** Well, the member is correct in that we do end up taxing some of the national entities, particularly the federal government does pay this tax, I think, as the member knows. Included on the revenue side, of course, is the levy against municipalities, school divisions and so on, but that is also rebated back to those organizations through the funding we provide. So even through the revenue shows the gross revenue of the payroll tax, certainly some of that is rebated directly to the municipalities through our funding provided and to school divisions and so on, but it does include the taxation of the federal government in some of those federal entities, Mr. Chairman.

**Mr. Leonard Evans:** Without taking too much time, or any very precise number, of the \$206.5 million expected from this source this year, just roughly how much would be rebated back to the municipal governments, these other, I think, school boards, he said?

**Mr. Stefanson:** Mr. Chairman, I will provide that information to the member for Brandon East; that is certainly information we can compile and provide.

**Mr. Leonard Evans:** Mr. Chairman, talking about the harmonization proposal, for a minute, on the GST, I think this is as an appropriate area as any to discuss this. We have read about the efforts of the federal government to bring in a harmonized program in Atlantic Canada, short of P.E.I., I guess, and, of course, Quebec.

Can the minister advise us whether there is continuing pressure from the federal government to move in the direction of harmonization in Manitoba?

**Mr. Stefanson:** Mr. Chairman, technically, this falls under federal-provincial relations—which we will get to in a minute—and the only reason I say that is if there has been any recent contact with some of our senior officials. Certainly, over the last few weeks there has been no contact at the political level in terms of the GST. I believe that even discussions at our official levels, there really has not been any discussions of any significance.

As the member for Brandon East knows, a few months ago we were into discussions with the federal government at the same time as the Maritimes, at the same time as Saskatchewan and some of the other provinces. He and I have discussed—and I have said it publicly—that the

proposals that were coming forward from the federal government were not acceptable to our government and we do not believe they are in the best interests of Manitobans in terms of the fully harmonized GST.

The concerns were that we do lose revenue under a fully harmonized GST. In the first year alone, we lose some \$105 million in revenue. That starts to reduce, but we continue to have a revenue loss for many, many years. Now the federal government does have this formula that would provide some bridge funding for about a four-year period of time but, over the long term, we continue to lose revenue so that has been a concern. But probably the more significant concern that we have—and I know many provinces have—is the shift from business to consumers, that there is a significant shift of anywhere up to as much as about \$270 million from business to consumers. That has been the fundamental issue that has been a concern of Manitoba, and our government, and I believe is a similar concern for the provinces from Ontario west.

So for those reasons, harmonization is not in the best interest of Manitobans. We do not support the proposal put forward by the federal government and I have not had any recent discussions. I am sure it will be an issue the federal government will raise probably on an ongoing basis. They now have this Memorandum of Understanding with the three Maritime provinces. It remains to be seen what happens as that Memorandum of Understanding is dealt with over the next—what—three to six months I believe is the time frame. But the proposal that they have put forward is unacceptable to our government and not in the best interest of Manitobans.

**Mr. Leonard Evans:** Well, this is one area that the minister and I agree on. I commend him for his efforts in fighting this move by the federal government. It is obviously not in Manitoba's interest and also, from sort of a moralistic or a political point of view, I do not see why the federal government should be left off the hook, because that was a clear commitment made to the people of Canada to eliminate the GST, not to harmonize it. Although some people would refer you to the red book where there are qualifications, nevertheless, verbally, orally, the now Prime Minister and Sheila Copps, and others, have stated categorically, equivocally, that their government would eliminate—not harmonize—but eliminate the GST and, for the reasons the minister has

stated, is simply not in Manitoba's interest to go along with the harmonization proposals.

I believe that the—and I can appreciate that the federal government is being challenged by debt and deficits—but I believe that there are other ways the federal government could secure additional revenues. Maybe the minister would not agree with me, but there has been suggestions put forward by economists—I know in both the United States and Canada—about a financial transaction tax, something that would be very minor in terms of percentage, say a quarter or 1 percent on financial transactions that could occur—the sale of shares, the sale of bonds. I cannot describe the detail but, in principle, this is what it would involve. Those who advocate it argue that it would raise—virtually zillions of dollars is a great deal of money that could be brought in from that type of levy and that it is a possible tax.

There is a Professor Tobin, who is one person who comes to mind from the United States—I think he is from MIT—who talks about, in terms of global transactions. Now, that is a different element. I am talking about domestic as such.

I know the argument will be, oh, this will ruin the stock market or ruin the bond market or whatever but I rather doubt it, and I rather think the reason the government would not move in that direction is because it does not want to harm some of its friends in business who would be unhappy with that type of a move. But I am just saying, I am just using that as an example. There are other options that the government can follow to provide additional revenues to help it get out of its debt situation. It need not continue to levy this GST that is a real burden. I really think it is very detrimental to the economy. It is detrimental to consumer spending without question. But this is beyond, I appreciate, the minister's particular responsibility.

**Mr. Chairperson:** Okay. We will pass Resolution 7.4 at this time.

**Mr. Leonard Evans:** There is another area under Taxation that I would like to ask a couple of questions on, skipping along here. On the question of the big program to interfere with free flow of goods among provinces, I am talking about tobacco interdiction. We all believe in free trade except in terms of tobacco,

cigarettes and the like. We had quite a debate about this last time, and I was just wondering if the minister could update us on some elements of the program, just how much—and I guess it is very difficult to make some of these estimates but I wonder if perhaps by way of introduction he could just describe how is the program working. Is this a really effective program? How many staff do we have involved? It says 10 staff years but I am not sure where all the staff are deployed. I know you liaise with the police agencies and so on, but just how is this program functioning at the present time?

**Mr. Stefanson:** Firstly, in response to that previous question about how much of the federal tax is paid back to school divisions in municipalities, approximately \$28 million is paid back to school divisions in municipalities.

In terms of the tobacco initiative, we are very proud of that. I think as the member knows, we have done an excellent job in that area, and the true test is our ability to basically sustain our revenues. Revenues have been going down slightly but that is in keeping with what Stats Canada has been saying just in terms of smoking habits, and on average they have been going down about 3 percent to 3.5 percent. So the real test of the success of our program has been that our revenues are basically hitting our budgets and are on target.

\* (1110)

In terms of the issue of internal trade and free trade, there really is free trade of cigarettes, but all we are expecting is that when they come into our province that they pay the applicable taxes. Now, you can bring in additional quantities of cigarettes into Manitoba but you have to pay the Manitoba provincial taxes on those here in our province where they are going to be consumed. So that has been addressed. In fact, there was a constitutional challenge, I think, as the member knows, to our ability to do that and we won that court case. That has been upheld. That issue has been addressed.

In terms of the program to date, our Taxation special investigations has seized some 21,438 cartons of smuggled cigarettes and brought 164 infractions related to tobacco smuggling to court. Our own staff in co-operation with the RCMP, City of Winnipeg Police and the federal government in part, it has been a very successful program. I think we all agree that we disagree

with the decision of the federal government to reduce tobacco taxes in the way they have done it on an uneven basis across Canada, reducing it in some of the eastern provinces and not in the western provinces.

While we are not happy with the decision that they have made in terms of dealing with the whole issue of tobacco smuggling in eastern Canada, I think we can certainly take pride with the job that has taken place here in Manitoba. At the end of the day, Mr. Chairman, the most significant aspect of this entire issue is the attitude of Manitobans, because that really is the telling tale that Manitobans are abiding by the laws and are continuing with their traditional purchasing patterns. That to me is the real compliment here to individual Manitobans who have recognized this issue, recognized what has happened and, of course, through all of this we have had the support of various organizations like the Manitoba Lung Association, the Heart and Stroke Association and so on because they point very directly to the correlation between smoking habits, particularly amongst young people, and the price of cigarettes. It has been a very successful program, with the support of most Manitobans.

**Mr. Leonard Evans:** I certainly do not disagree with the objectives of the program and it seems to be fairly well managed. Just to comment, you say, well, there is free trade, you just have to pay the tax, but my understanding is ideally when you have free trade there is no tax. It is when you put—you can trade goods, but if a government says, well, you have to pay a tax to bring that good into the country, then that is a form—we usually call it a tariff. The customs duty, and I know this is not per se a customs duty but it is a tax and there is some similarity, so ultimately it is not free in the sense that you bring it in and you do not suffer any tax penalty. Americans or other countries would be glad to have Canadian goods come into the country, depending on the tariff situation and depending on the commodities, providing they paid the customs duty. It is only really free trade if there is no tax incidence, if there is no tax burden levied on the commodity.

**Mr. Stefanson:** Mr. Chairman, not to prolong this, but I think the better comparison is the retail sales tax, because the retail sales tax across Canada, there are different rates within different provinces and the way the tax is assessed is you pay it in the province where you

consume or utilize the product. That is what happens if you bring a product in from elsewhere, from another province into Manitoba. You pay the applicable retail sales tax here in Manitoba so that to me is the more direct comparison when I am referring to the application of the tobacco tax. Every province has a tobacco tax. There are various levels and all we are saying is you can bring the product into Manitoba but pay the applicable taxes in Manitoba.

**Mr. Leonard Evans:** I have often wondered—there are other ways of coming into Manitoba than by road—you can come in by boat, I guess, from Churchill but what about air smuggling. Is there any attempt to check whether tobacco goods are being brought in by air?

**Mr. Stefanson:** Mr. Chairman, again we discussed this at length last year. As the member knows I am not about to get into all of the steps that we or the law enforcement agencies take, but we definitely do take steps at airports and all the various points of entry into Manitoba in terms of dealing with this issue. All other provinces in western Canada are also taking various steps, and we work cooperatively with them to obviously share information and learn from each other the kinds of things that we are doing.

I guess, as I said at the outset, the real test of all of this is in our revenues, that our revenues are basically holding and so on. We are very confident that there is very little illegal activity being allowed to take place here in our province. I could not stand up and say absolutely, unequivocally there is none, but I think with the cooperation of all of the law enforcement with what we are doing that it is certainly kept to an absolute minimum.

**Mr. Leonard Evans:** I do not want to rag this around or delay this. I do not have serious concerns except for the life of me I do not see why people who travel in and out of the province often by air could not easily bring a suitcase of cigarettes. I mean we do not have customs officials opening suitcases on domestic flights. That is a possibility. Even if it was for the person's own consumption, he or she may feel that they get a bargain by bringing an extra suitcase and filling it with cigarettes.

**Mr. Stefanson:** You are right. Without prolonging this, again, there is signage at the airport in terms of the legal requirements here in Manitoba. There is I think a fair

degree of knowledge throughout Manitoba on this issue because of all the controversy and some of the initial explanation that government provided when this whole change first took place. As I said, I am not naive enough to suggest that there might not be some isolated incidents, but I firmly believe they are isolated incidents.

I guess I go back to my original comment about Manitobans, that I think Manitobans know what the laws are. They are law-abiding citizens. They know this issue, and they are respecting it. So I would suggest that there is very little of the kind of activity that the member is suggesting could take place.

**Mr. Leonard Evans:** Mr. Chairman, I hope the minister is right and he may very well be. As I say, I do not have a major disagreement on this but it seemed to me that this was one loophole that could be serious. But as you say, it depends on Manitobans or the people of Canada to be law-abiding, and it is our responsibility for them to know what the laws are.

I am prepared to pass this section and go on to Federal-Provincial, but I would also like to make a suggestion we take maybe a two-minute break and then renew starting with Federal-Provincial Relations. We just have about 40 minutes left.

**An Honourable Member:** Do you want to pass that section first?

**Mr. Leonard Evans:** Yes, pass this section. Okay.

**Mr. Chairperson:** Item 7.4. Taxation (a) Management and Research (1) Salaries and Employee Benefits \$915,900—pass; (2) Other Expenditures \$101,800—pass.

7.4.(b) Taxation Administration (1) Salaries and Employee Benefits \$2,201,400—pass; (2) Other Expenditures \$3,258,200—pass.

7.4.(c) Audit (1) Salaries and Employee Benefits \$4,897,300—pass; (2) Other Expenditures \$711,100—pass.

7.4.(d) Tobacco Interdiction (1) Salaries and Employee Benefits \$543,100—pass; (2) Other Expenditures \$256,300—pass.

Resolution 7.4: RESOLVED that there be granted to Her Majesty a sum not exceeding \$12,885,100 for Finance, Taxation for the fiscal year ending the 31st day of March, 1997.

We will now move on to Resolution 7.5 Federal-Provincial Relations and Research (a) Economic and Federal-Provincial Research (1) Salaries and Employee Benefits \$1,053,100.

\* (1120)

**Mr. Stefanson:** Mr. Chairman, just one of the questions I took as notice a little earlier on the whole issue of Freedom of Information requests for the calendar year 1995, there were 22 applications. I think I indicated 25 previously, and what happened with them is eight were granted, two were denied, nine were withdrawn or abandoned and three were carried forward to 1996. The staff time spent during the calendar year 1995 on Freedom of Information requests was approximately 45 hours.

**Mr. Chairperson:** Did the honourable minister want to introduce the new staff present at this time?

**Mr. Stefanson:** Yes, Mr. Chairman, Mr. Ron Neumann, he is our director of Intergovernmental Finance in our Federal-Provincial Relations and Research.

**Mr. Leonard Evans:** Well, moving right along because we are getting a bit short of time. This is a very interesting part of the department and, of course, has a great challenge of helping prepare Manitoba to fight the good fight with the federal government and, I guess, prepares the government ministers in terms of financial and economic matters in dealing with the federal government and indeed other provinces.

I understand there is a Premiers' conference coming up shortly and I wonder if the minister can advise, what does he see the major policy areas that affect Manitoba that would be brought up? Can he just briefly tell us what Manitoba has to face?

**Mr. Stefanson:** Mr. Chairman, I do not think it is appropriate for me to be speaking about the issues that the Premier (Mr. Filmon) and Premiers across Canada and the Prime Minister will be addressing at their

meeting in June. That is certainly an issue that our Premier can and will be speaking to in terms of what the agenda will be, what the items will be and what Manitoba's position will be.

Obviously, within this section, within our areas of responsibility there are issues that are important to the province and the government of Manitoba. One of the most immediate issues is the whole issue of the Canada Pension Plan. I think, as the member for Brandon East knows, that is an issue that has to be addressed during this calendar year in terms of what changes, if any, are going to take place with the Canada Pension Plan. The whole issue of the change now to the Canada Health and social transfer is an issue before us in terms of the future funding formulas, arrangements under that . . . formula because they replaced two previous programs, the Canada Assistance Plan and the established program financing program.

Those are some of the issues. Obviously GST, as we have already discussed, will continue I am sure to be an issue that surfaces periodically over the next weeks and months and possibly even years. Those are some of the kinds of issues that are facing us as a government and have a direct impact on this division of the Department of Finance.

**Mr. Leonard Evans:** I appreciate it is a Premiers' conference but usually financial matters are among those discussed, and I would imagine the Prime Minister will take the opportunity to again attempt to persuade provinces such as Manitoba to engage in harmonization. I just hope, if the minister is there or if he is briefing our Premier, that we should hang tough on this whole area of opposing harmonization.

On transfers, is there any hope of—do we have any proposals, and again, I do not want to put you in an awkward position, but is there any hope that we can get the federal government to back off its cuts in social transfers to the provinces? Will there be an opportunity for the provinces, Manitoba perhaps with other provinces, to make a plea to increase and maintain social transfers as opposed to the program that is now laid out which is disastrous for most provinces?

**Mr. Stefanson:** That certainly has been an issue that we have continued to press the federal government on, as the

member for Brandon East (Mr. Leonard Evans) knows. We support the federal government getting their own financial house in order, but we obviously disagree with the priorities that they have established. Again, as we all know, over three-quarters of their reductions in spending in their last budget have been in the areas of transfers to provinces for health, post-secondary education, and support to families. So we have consistently pressed the federal government. We will continue to do that.

We are in the process of preparing a western Finance minister's report which will be provided for the Western Premiers' Conference which is coming up next week. I am sure that will be an issue that will be addressed and referred to in that report. We have consistently referred that report to the national meeting of Finance ministers, and actually we are meeting as Finance ministers later in June, primarily with Canada Pension on the agenda, but I am sure we will have some discussions again about the Canada Health and Social Transfer. So we will continue to press the federal government on that issue in terms of the fact that we disagree with the decisions they have made, the magnitude of reductions that they have made in those areas, and encourage them to continue to reconsider.

Having said that, Mr. Chairman, we saw in Mr. Martin's last budget that he has now laid out a funding proposal to the year 2000 and certainly indicated what their intentions are, but that is not to say that we will continue to press them to indicate that we think it is wrong and that they should be making some adjustments in that funding area.

**Mr. Leonard Evans:** Yes, well, the budget document, last year, the '96 Manitoba budget document does outline the reductions that we face. I do not know whether there is any hope whatsoever in getting the federal government to change its position in this matter, but it seems to me that one has to continue to put the case forward. It is so convenient for the federal government to do this because they are effectively hurting health and education programs in this country, but they are way behind the front lines, and many people do not understand that it is, in many cases, federal cuts that are hurting these programs delivered by the provinces across the country.

Specifically about the CPP, just briefly, what is Manitoba's position on the CPP issue?

\* (1130)

**Mr. Stefanson:** Mr. Chairman, we are in the process of some consultations and preparing our position on the entire issue. We participated in some of the hearings that took place here in Manitoba, here in Winnipeg and out in Brandon. The concerns are that under the current funding arrangement in the actuarial projection is that by the year about 2010 or 2015 what minimal surplus is there of about \$40 billion might very well be used up. But probably the greater concern is that under the current projection of what will happen to rates by about the year 2020 to 2030, the projection is that the combined rates—as we know, right now employees and employers contribute to Canada Pension, and today the combined rate, I believe, is 5.6 percent. The actuarial projections show that by the year about 2025 or 2030 that would go up to a combined rate of in excess of 14 percent. Clearly, that is something that we do not believe is fair for future generations and would be something that probably is not sustainable. If you add that on top of unemployment insurance programs, income taxes, everything else, it would be an onerous pressure on individuals, on businesses, and so on.

So the view has been, certainly of our government, and I believe of other governments, to look at all elements of Canada Pension Plan. I think we would acknowledge that Canada Pension Plan has gone from being a retirement pension plan to being a disability fund, to being a death benefit fund, and so on. So we are looking at all aspects of the benefit package, where benefits can be adjusted as being one element to pull down the future rate increases that are required. We are also looking at ways of maximizing the returns on the money that will be accumulating as money ideally accumulates in the Canada Pension Plan.

So we are really looking at all aspects of minimizing this growth in rates because we do not support allowing rates to go up to in excess of 14 percent and clearly believe that rates have to be kept down to a much lower level than a combined 14 percent. We are also looking at other areas within that whole issue of indexing and the Canada Pension Plan, the whole issue of the relationship to the unemployment insurance program and what is happening with that program because that is another program that employers and employees contribute to. So we will be formulating a much more definitive position

over the course of this year as we gather information from Manitobans, our own assessment, and so on.

We will be meeting in June as Finance ministers, but we will not be making any definitive final decisions until the fall of this year. This next meeting is a chance to share some information in terms of where we are at on the entire issue.

**Mr. Leonard Evans:** Well, I have not had a chance to read the document, but I understand the Winnipeg Chamber of Commerce is coming out with some very strong statements that would water down the CPP. I was wondering if the minister has had a chance to see their position and whether he agrees with it or not.

**Mr. Stefanson:** Mr. Chairman, I have not read the Winnipeg Chamber report yet. I certainly will read it, and we are being provided with a copy of it. We have been encouraging all kinds of organizations and individuals to give us their comments. I mean we have really been encouraging Manitobans to take an interest in this very important issue and to give us their views on the issue. But what we have been hearing to date is that there is an awful lot of support for the Canada Pension Plan, but there is also an awful lot of support for making it sustainable in the long term—plain and simple.

**Mr. Leonard Evans:** Well, at the extreme end, of course, there are people in this country who would like to see the CPP totally eliminated, and I think that is absolutely unacceptable, and I believe the minister has stated publicly that he does not agree with that position. It has been put forward by many organizations, the insurance industry, certain financial businesses are very interested in being able to offer private plans, some RSPs and so on, if no CPP, but this would take a long time to analyze and discuss. I do not think it is in the national or the provincial interests to have this very important pension plan, which has also become a disability plan, whatever, to be eliminated. Changes, I suppose, if necessary, but hopefully allowing it to maintain its role as a very key element in providing people with pension funds.

The minister touched briefly on the question of indexing. I hope the minister will not take a position against indexing of the benefits to protect against inflation. Without that indexing, what you are doing is

virtually reducing the real benefits of any pension plan if you allow inflation to erode the pension. I have a friend, an elderly gentleman, I think he is about 92 now, and he had a very senior position with Hudson Bay Mining and Smelting, I think he was the general manager. He said, Len, when I retired at 65, I had a real good pension, and I was sitting on top of the world, Hudson Bay Mining and Smelting pension, he said, but you know he was blessed with longevity. He has lived almost 30 years from his retirement period, and that pension means very little to him. I guess he is more dependent now on the Old Age Pension, and he may even be getting some Guaranteed Income Supplement, if you can believe that. Here is a senior person with a good pension, but that was 30 years ago, and look what inflation has done to it. I think it is very vital to maintain an indexing system for any pension plan.

**Mr. Stefanson:** Mr. Chairman, well, the member for Brandon East, in his first comments, is right that we do support the Canada Pension Plan and recognize the benefits and the need for it and are committed to working towards fixing it to be sure it is sustainable for future generations. I referred to the issue of indexing, and I am not for a minute suggesting deindexing the Canada Pension Plan, but I am saying one of the many issues that is referred to or touched on in that report on Canada Pension Plan at this point in time that has to at least be one of the issues we are considering is whether or not it should be fully indexed or partially indexed because the reality is right now the Canada Pension Plan has an unfunded liability of in excess of \$500 billion that has to be addressed and right now—

\* (1140)

**An Honourable Member:** Billion?

**Mr. Stefanson:** \$500 billion—and that is something that because of the pay-as-you-go system right now is geared to be paid by the future generation. So I think there is an argument that at least that issue, the issue of maybe whether it should be partial indexing as opposed to full indexing, should be one of the issues that is on the table.

Similarly, the federal government put out the issue of changing the retirement age from 65 to 67. We have talked about changing the disability benefits, changing the death benefit. I think all of the issues have to be

there, and we have not in any way formed a final position as to what is the best blend of adjustments that will make the plan sustainable. I mean our commitment is to make the plan sustainable and fair not only to those that are receiving it today but also for the future generation. I think if I have a criticism of some of the previous governments, it is that this issue probably should have been addressed 10 years ago. I know our Finance minister five years ago pushed aggressively to address it then, and there was not the will or support of many other provincial governments to do that. Finally, there seems to be the will and the recognition that we better get on with addressing this issue to make the plan fair and sustainable.

**Mr. Leonard Evans:** Well, we have to make the plan sustainable, Mr. Chairman, but there are many, many ways of doing it. I would just hope that the minister will, any suggestions he comes up with will be based on equity and fairness to people because the people who are most dependent on CPP are the average people, people who do not have an opportunity to put a lot of money aside in terms of lifetime savings. The typical working family, I think, their lifetime savings usually ends up in a house. When they are 60, 65 they own a house and that is about it.

Regardless, I just want to repeat that even partial indexing does go a way to effectively reducing the pension in real dollars, in constant dollars, even partial deindexing will do that. So to that extent the benefits begin to diminish through the years. At any rate, this is a big topic, and we do not have the time to get into it all, but I just urge the minister—I am pleased he has got the position that he wants to sustain the CPP, but I trust that any suggestions he makes are based on the principles of fairness and equity.

We do not really have time to get into other areas in this. I would like to talk about economic forecasts and methods of projecting the future of the province, but we do not have time for that, so I would just like to pass on now to the Treasury Board.

**Mr. Chairperson:** Item 7.5 (a) Economic and Federal-Provincial Research (1) Salaries and Employee Benefits \$1,053,100—pass; (2) Other Expenditures \$295,200—pass; (b) Manitoba Tax Assistance Office (1) Salaries

and Employee Benefits \$272,100—pass; (2) Other Expenditures \$56,500—pass.

Resolution 7.5: RESOLVED that there be granted to her Majesty a sum not exceeding \$1,676,900 for Finance, Federal-Provincial Relations and Research for the fiscal year ending the 31st day of March, 1997.

Item 7.6. Insurance and Risk Management (a) Salaries and Employee Benefits \$215,800—pass; (b) Other Expenditures \$31,300—pass; (c) Insurance Premiums \$1,330,000—pass; (d) Less: Recoverable from other appropriations (\$1,330,000)—pass.

Resolution 7.6: RESOLVED that there be granted to Her Majesty a sum not exceeding \$247,100 for Finance, Insurance and Risk Management for the fiscal year ending the 31st day of March, 1997.

Item 7.7. Treasury Board Secretariat (a) Salaries and Employee Benefits \$2,544,200.

**Mr. Leonard Evans:** I have a very specific question here. What is the salary of the secretary of the board? I do not think that is delineated, and I can see the salary of the Deputy Minister of Finance, I think, here somewhere, but I am not sure whether I can find—maybe it is here and I have not spotted it, but could the minister enlighten us?

If it is too difficult, we can get that some other time. It is not that critical.

**Mr. Stefanson:** Mr. Chairman, I am pleased to be joined by Debra Woodgate from the Treasury Board, our manager of Fiscal Planning, and the salary for the secretary to Treasury Board in our '96-97 Estimates is \$111,300, which is in line with our senior deputy minister levels of compensation.

**Mr. Leonard Evans:** The Treasury Board, is this the area that deals with MDS, Manitoba Data Services? I had asked earlier, yes. I wonder if the minister can give us an update then on where we stand. As you know, it was a controversial issue in this House a few years ago. We opposed the sale of MDS. We thought it was a very effective Crown corporation, and it has been privatized. I believe the private ownership has changed, but there was some responsibility, some commitment to the province to maintain jobs, to keep the head office here.

I am concerned about those. I do not believe the head office is here anymore, but I thought that was supposed to be in the agreement.

Also, I am particularly concerned about the rates that we are paying MDS, or whatever it is called, STM, for its services, because it seems to me it has a monopoly in this area and we have to be concerned that we are getting value for the money we pay. So I wonder if the minister could comment and update us on this area.

**Mr. Stefanson:** Mr. Chairman, because of time, I will provide the member with full details on the economic side. ISM, with all the information I have had, have met or exceeded all of the commitments in terms of job creation, in terms of investment in a building in downtown Winnipeg, in terms of investment in research and development at the University of Manitoba, in terms of acquisition and relocation of other companies, all of those kinds of things. They are an excellent corporate citizen and they are contributing very significantly to our economy. So that is the economic side of which I will gladly provide all the details.

On the issue of the contract and the rate, the member will recall that the long-term contract expired December 31 of '94. The province has been extending that on a month-to-month basis pending renegotiation of a longer term contract, and what we have done now is secured terms that link our pricing to declining market rates. So our pricing is directly linked to the market rates. It assures flexibility to migrate existing mainframe applications to new environments, that we can change our mainframes to a new environment, and it ensures that the province's standards regarding liability and confidentiality are not compromised. The new contract, with provision to amend the rates annually—so on an annual basis, we have an independent assessment of the rates and we can adjust the rates annually. We also have no commitment to volume, that we can adjust the volume on an as-needed basis.

So that is the arrangement that we now have with ISM, and that independent assessment that was done—to give the member an indication of what has happened to rates for the year '95-96—we have a rate reduction of approximately 25 percent. So we now have a contract in place that allows for that rate adjustment, allows for volume adjustments and to meet our needs.

I think it is an excellent arrangement, Mr. Chairman, that will serve us very well.

**Mr. Leonard Evans:** But as I understand it, what we have done is given virtual monopoly to this company, virtually as a monopoly in providing these kinds of services to the Manitoba government, and it seems to me it is very important, therefore, that we continually look at other options in terms of getting service from other companies.

\* (1150)

The rate reduction you talk about, of course, is essentially a function I think of technology. Technology improvement enables a rate reduction. I am not an expert in this area. I stand to be corrected if I am wrong, but you know, if you have a given monopoly and a given guarantee of revenue, you can do a lot of things, you know. It is easy to give grants to the university and so on when you have a customer that you can rely on who is supplying you with a good chunk of your revenue.

On the part of the building, Mr. Chairman, that building—there was going to be a new building anyway. MDS was about to put up a new building, and it had to be put up for physical reasons. So I do not look upon that as any sort of additional gain because we privatized this system. At any rate, I am glad that the government is seemingly paying attention to the contract, that it has renegotiated, that it has obtained rate reductions. So this is fine, but I really worry when a company is given virtually a monopoly of an area, and therefore it is like giving the banking services to one bank. It seems to me critical the government should be looking around for other companies.

Also, it is not beyond the realm of possibility that some of this could be done by other parts of the government as well. I mean other agencies in government can buy equipment. Manitoba Data Services used to be part of MTS. It was the Lyon government that carved off MDS from the MTS corporate structure and made it a separate entity, a separate Crown agency, which worked very well. It paid its way, because it served the government departments, the government departments paid it, and it seemed to work well. It seemed to be very efficient. I ask, therefore, is it not beyond the realm of possibility that the government could do some of this work in-house,

if not all? Could some of this not be done in-house by some other agency of government?

**Mr. Stefanson:** Mr. Chairman, on the point of the building I will not belabour it, but, obviously, ISM built the building with their own finances without taxpayer support.

**Mr. Leonard Evans:** The taxpayers are paying.

**Mr. Stefanson:** The government of Manitoba is one customer, but we are only one customer. I think that is important to recognize as well, and I think that is why to pull any of this internal to government would not be as cost-effective as dealing with an external company, that we are one client and then they have the economies and scale in terms of providing the service.

I want to just remind the member, which I touched on, our clear objectives are to significantly reduce our mainframe processing costs and to establish a mechanism where prices could be adjusted annually to reflect changes and declines in market. So he seems to be in support of that principle. Also, to build in the flexibility that allows the province to migrate applications to new client-server systems with advance notice on a tender basis, so the province does intend to move away from the mainframe technologies to client-server technologies on a competitive basis, but obviously that is something we will do systematically and sequentially over a period of time to be sure that we sustain the services we require. We are getting the best rates available through this independent assessment. We will be able to adjust volumes and we are able to move away. I would say at the end of the day, as I have said, I think we have a very good arrangement with them, and we also have the economic benefits here in our province of what they are doing.

**Mr. Leonard Evans:** Yes, specifically, would the minister know, of the revenue earned by this company, what percentage is from the Manitoba government?

**Mr. Stefanson:** Mr. Chairman, our total payments for services approximate \$5 million as a government. I do not have ISM's financial statements in terms of what that represents as a percentage of their total revenue, but our contractual arrangements approximate \$5 million. They,

obviously, have contracts with Crowns and other organizations and so on.

**Mr. Leonard Evans:** Well, if a financial report was available from ISM, we could just look at its total revenue and maybe make a calculation.

Could the minister verify that the headquarters of ISM is not in Manitoba now, it has been moved out of Winnipeg?

**Mr. Stefanson:** Mr. Chairman, I know ISM is owned by another entity. It is a subsidiary of another entity outside of Manitoba. I believe the ISM division is still headquartered here, but I will confirm that issue and get back to the member for Brandon East.

I think that more importantly—and I will provide him with all the economic numbers—is that there were certain job targets and so on and investment targets that were put in place when the deal was transacted with ISM. Again, the best information I have is they have not only met all of those, in many cases, they have exceeded them, and that at the end of the day is the most important issue. If the member is thinking that we have lost some jobs because of a company owning this subsidiary, that is not the case. I mean, the jobs are here in Manitoba and the job targets are in fact being met and, in many cases, exceeded.

**Mr. Leonard Evans:** Mr. Chairman, I wonder if the minister—because we do not have time to discuss this further—could give me a report or some summary of the relationship between the Manitoba government and ISM explaining the degree of business they do for us, the type of business, what other options we are looking at for other alternatives and so on. The minister touched on some of these, but I wonder if he could undertake to have the staff do this. We are not asking for any state secrets or anything, but I think it is in the public interest that we have a report on this area because it is a large amount of expenditure and it is an area of change. I would appreciate that type of a report.

**Mr. Stefanson:** Yes, Mr. Chairman, I will provide that for the member for Brandon East.

**Mr. Chairperson:** Shall the item pass?

**Mr. Leonard Evans:** Because we are running out of time, I think we may have to go just a few minutes over 12. Could there not be agreement—

\* \* \*

**Mr. Chairperson:** At 12 noon, the committee rises.

\* (1200)

**Mr. Chairperson:** The hour being 12 noon, committee rise. Call in the Speaker.

**Mr. Leonard Evans:** At which time?

**Mr. Chairperson:** At 12 noon, the committee will rise whether we are completed or not.

Order, please. I would like to make a little correction here. We are dealing with Friday rules at this time. Is it the will of the committee that I not see the clock? [agreed]

#### Point of Order

**Mr. Leonard Evans:** On a point of order, Mr. Chairman. I thought, by arrangement, you could not see the clock for a few minutes because there is—the only other option is we would come back at 2:30 is it, or whenever the question period is over.

**Mr. Leonard Evans:** I guess we could pass this area then, Mr. Chairman.

**Mr. Chairperson:** Item 7.7. Treasury Board Secretariat (a) Salaries and Employee Benefits \$2,544,200—pass; (b) Other Expenditures \$523,500—pass.

**Mr. Chairperson:** Well, this committee does not return again until it is back in the order. This afternoon, we will be dealing with a different department—[interjection] The committee does not have the power to do that except on Friday under the new rules.

7.8. Tax Credit Payments \$192,500,000—pass

Resolution 7.7: RESOLVED that there be granted to Her Majesty a sum not exceeding \$3,067,700 for Finance, Treasury Board Secretariat, for the fiscal year ending the 31st day of March, 1997.

\* \* \*

**Mr. Leonard Evans:** Well, I am prepared to pass this section. This is regrettable, Mr. Chair, because I think the minister and I both thought that we could spend another five or 10 minutes and conclude the entire department.

Resolution 7.8: RESOLVED that there be granted to Her Majesty a sum not exceeding \$192,500,000 for Finance, Tax Credit Payments, for the fiscal year ending the 31st day of March, 1997.

**Mr. Chairperson:** The committee was only granted leave to sit from 9 a.m. till 12 noon. We do not have any other ability to change those rules unless it is Friday.

This concludes the Department of Finance other than the Minister's Salary. We will move to the Minister's Salary, Resolution 7.1, at this time.

#### Point of Order

#### Point of Order

**Mr. Leonard Evans:** On a point of order again, is it possible for the Chair to consult with the government House leader (Mr. Ernst) to see whether an allocation of a short period of time can be allocated this afternoon before the next department begins?

**Mr. Leonard Evans:** A point of order. Before the Minister's Salary, what about the various programs here that are listed? Would these not be done prior to the Minister's Salary? I guess it does not really matter, but there are half a dozen important items here that have to be—

**Mr. Chairperson:** The House leaders will have the opportunity before we come back to make that decision. He will be making clarifications before we go back into committee.

**Mr. Chairperson:** The other items will come forward after the Minister's Salary has been concluded. Those are separate from the Department of Finance as such. We will come back to separate resolutions for those other items.

### Point of Order

**Mr. Leonard Evans:** Also, on a point of order, we had some questions on special operating agencies. Those are not listed as a separate item, but before we proceed then—and I could ask this under the Minister's Salary I suppose—but I believe special operating agencies are co-ordinated by the Treasury Board. Is that correct?

**Mr. Chairperson:** That we will have to get clarification from the minister on.

\* \* \*

**Mr. Stefanson:** The member is partly correct. There is a special operating agency co-ordinator housed in Treasury Board, so if he wants to talk sort of conceptually about SOAs and so on, that is fine, but the individual SOAs are all line items within individual departments. If he were to want to get into the specifics of fleet vehicles or any of the individuals, really those all fall within the individual departments. The concept, financing ideas, that is fine, but individual questions about each of the individual SOAs really are appropriate for the individual departments.

**Mr. Leonard Evans:** As I read the documents that the minister tabled in the House, there is this responsibility of co-ordination by his department of these agencies and there is an overview that they have to take. I am wondering, because of the time constraints, whether I could simply ask this, whether he would undertake to give us a report on the extent to which the agencies that now exist have met their key targets in 1995-96. They are listed here. Those are the targets. Could we get a report to what extent has each agency met those targets. If he could undertake to do that, then we could pass on.

**Mr. Stefanson:** Yes, we will undertake to provide that.

**Mr. Chairperson:** At this time we would ask the minister's staff to leave the Chamber and we will deal with the minister's salary.

7.1.(a) Minister's Salary \$25,200. Shall it pass?

**Mr. Leonard Evans:** A couple of questions that I would like to put to the minister and, again, we have many, many more but we are getting out of time here.

One that I am concerned about is spending taxpayers money for government advertising. There is a line there, it is quite legitimate and ethical to inform the public of new programs or changes in programs, you know, we have established Pharmacare, we are changing Pharmacare, so people have to know about it.

But there are other kinds of advertising that are more general, almost political or quasi-political, and this became an issue a couple of years ago, and I recall the Minister of Finance undertook to prepare guidelines on advertising by this government. My question is, have these guidelines been prepared for the public?

**Mr. Stefanson:** The member is partly correct. Yes, I did undertake to review the whole issue of the establishment of guidelines. The difficulty is, they literally do not exist anywhere else within government. They do not exist with any other provincial governments across Canada that I am aware of and they do not exist with the federal government, so in many respects we are wading into new areas and new territory. I guess the ultimate judgment, the ultimate test in many respects of whether a government crosses that line is right here in this Chamber. We are held accountable by the member and members opposite on expenditures that we put in place for informing the public. This is an area that we can be questioned on that, obviously through the media and so on, whether or not we have crossed a line.

At this particular point in time, we have continued to look at what other jurisdictions are doing, trying to compile some information, determine whether or not guidelines are required and or needed and, if so, what type, but we have obviously not in any way finalized anything that is deemed to be appropriate. As I say, there is no model to be following, so to speak, in that area.

If the member has examples that he is aware of, of other jurisdiction, other provinces, other governments, I would welcome looking at them, but I think the ultimate judgment is the member and members opposite and the public in terms of whether or not we cross the line. I do not believe that we have. I think we have not done an awful lot of advertising or promotion of all kinds of government programs. I think we strike a reasonable balance in that area, but we could be held accountable in this Chamber, Mr. Chairman.

**Mr. Leonard Evans:** Mr. Chairman, I can, if I had the time, bring forward examples of what I would consider political advertising. I remember specifically the GWE announcement in Brandon, this telemarketing company, big front-page story, big headlines, nice picture of the Premier (Mr. Filmon) shaking hands with the president of the company and then, a few days later, a great big ad in the Brandon Sun, the same picture almost, the Premier and that shaking hands—you know, Filmon brings jobs to Brandon or to Manitoba. I mean that was paid for by the taxpayer. That was pure political advertising. There were other papers around the province that similar types of ads occurred in the area of industrial development announcements, and I think that is regrettable.

So I gather what the minister is telling us is that there will not be any guidelines prepared on this question of political advertising.

**Mr. Stefanson:** Not at this time certainly. I would not necessarily say not at some point in time, but as of now, I am not at the point that I have any guidelines to recommend to my colleagues or to this Legislature that would be appropriate, but that is not to say that might not be the case as we continue to look at it, as I think some governments at least are starting to look at it. I would really encourage the member, and I know we are all limited in terms of how much time we can spend on various issues, but if he has any examples of governments that have anything in place, to provide them to me and I would gladly take a look at how reasonable they are or how they might apply. So at this particular point in time, no, Mr. Chairman.

\* (1210)

**Mr. Leonard Evans:** Well, we have not got time to pursue this further, but one way of starting is to look at what actually has happened and ask yourself whether those were appropriate. Regardless of what is going on elsewhere, one could, it seems to me, come up with some guidelines. However, suffice it to note that we will not be getting any guidelines, which is regrettable.

Just one other area. I, for some years, served as Chair of the Public Accounts committee and for various reasons decided to step down from that position. I may be attending these committees regularly in the future, even though I may not be an official member. Like any

member of the Assembly, I can attend committee meetings. I would like to know, when will the Public Accounts committee meet again?

**Mr. Stefanson:** I have to admit I was sorry to see the member step down from Public Accounts because I personally felt that he did a good job chairing that committee and was fair, reasonable and balanced as a Chair of that committee. That is not a reflection on the new Chair by any means; I do not want to leave that impression whatsoever, but the member for Brandon East did a good job of chairing that committee I thought.

As he knows, I am sure, and one of his colleagues is well aware, we have met twice in the last handful of weeks. There is a little bit of controversy over when and whether we should have our next meeting. That will be an issue that will be decided and resolved as has always been the case between the House leaders. I do not anticipate that there will be another meeting while we are in this session. We are due to adjourn next Thursday. I do not anticipate we will have another meeting prior to then, and most likely I would expect that it might very well be when we return for the start of our fall session, but ultimately it is a decision of our House leader in conjunction with the official opposition House leader.

**Mr. Leonard Evans:** I would just like to make this point that my understanding is that most other provinces have more active Public Accounts committees than we do. They meet more frequently; they meet extensively. Also, the Chair of the committee in some jurisdictions has the right to call the meetings.

I know this has been discussed in the past. I discussed it with Mr. Manness, the former minister, of the right of the Chair, who by custom and tradition is from the opposition party. I am not suggesting call it in an irresponsible fashion, call it in consultation with the House leaders and so on. I also pleaded with members to come up with a written agenda so that we could have an orderly, rational discussion of items so that the committee could do its job.

I felt that we in Manitoba—it does not matter who is in government—I think this is one committee that has not been utilized, and it goes back to our administration as well. I do not think it has been utilized to the extent that it can and should be looking carefully at detail. And it

need not be political in the sense that we are always—I mean it is so easy to get into the hot political issue of the day, funding of the Jets or whatever, but beyond that, I mean there are important questions of holding the whole government apparatus accountable for specific programs, spending millions of dollars in various ways.

I guess all I am doing is making a plea for more, rather than less, meetings of the Public Accounts committee and to utilize that committee in a more thorough fashion for the benefit of the taxpayers of this province. I say that regardless of who is in government. So on that basis, Mr. Chair, I think we could pass this item and then go on to the various Enabling Votes.

**Mr. Chairperson:** Shall the item pass? The item is accordingly passed.

Resolution 7.1: RESOLVED that there be granted to Her Majesty a sum not exceeding \$927,100 for Finance, Administration and Finance, for the fiscal year ending the 31st day of March, 1997.

What is the will of the committee at this time? Are we going to just pass all the Enabling Votes?

#### Point of Order

**Mr. Leonard Evans:** On a point of order, Mr. Chair, which page are we looking at in the Estimates book for Community Support Programs, right? This is all at the back.

**Mr. Chairperson:** The first one is on page 23 of the Estimates book. It was Resolution 33.1. So we are on 1. Community Support Programs (a) Administration and Grants (1) Salaries and Employee Benefits.

#### COMMUNITY SUPPORT PROGRAMS

**Mr. Leonard Evans (Brandon East):** Again, we could have a long discussion on this program. It involves many important cultural groups and so on. I am pleased that they are being supported to the extent they are. I guess everybody would like a few more dollars, but at least the monies are being maintained. We do not have time to discuss any problem areas. There are a few out there, but I think we could just pass this.

**Mr. Chairperson (Marcel Laurendeau):** Item 33.1. Community Support Programs (a) Administration and Grants (1) Salaries and Employee Benefits \$102,700—pass; (2) Other Expenditures \$27,700—pass; (3) Grants \$256,600—pass.

33.1.(b) Festival du Voyageur \$319,800—pass.

33.1.(c) Folk Arts Council of Winnipeg \$301,000—pass.

33.1.(d) United Way \$2,216,300—pass.

33.1.(e) Valley Agricultural Society \$63,400—pass.

33.1.(f) Harness and Quarterhorse Racing Support \$391,100—pass.

33.1.(g) Manitoba Community Services Council \$1,980,000—pass.

33.1.(h) Winnipeg Football Club \$346,500—pass.

Resolution 33.1: RESOLVED that there be granted to Her Majesty a sum not exceeding \$6,005,100 for Community Support Programs for the fiscal year ending the 31st day of March, 1997.

#### EMPLOYEE BENEFITS AND OTHER PAYMENTS

**Mr. Chairperson (Marcel Laurendeau):** Employee Benefits and Other Payments on page 43 of the Estimates book. 6.1. Employee Benefits and other Payments (a) Civil Service Superannuation Plan \$35,357,800.

#### Point of Order

**Mr. Leonard Evans (Brandon East):** Just on a point of order, Mr. Chair, can you not simply pass Resolution 6.1 without reading all the items?

**Mr. Chairperson:** No, I have already had that clarified by the Clerk that I have to pass it line by line.

\* \* \*

**Mr. Leonard Evans:** Carry on.

**Mr. Chairperson:** I thank the honourable member for that.

Shall the item pass? The item is accordingly passed.

6.1.(b) Workers' Compensation Board (1) Assessments re: Accidents to Government Employees \$3,085,000—pass; (2) Less: Recoverable from other appropriations (\$3,070,000)—pass.

6.1.(c) Canada Pension Plan \$13,578,500—pass.

6.1.(d) Unemployment Insurance Plan \$22,388,200—pass.

6.1.(e) Civil Service Group Life Insurance \$1,776,900—pass.

6.1.(f) Dental Plan \$4,778,600—pass.

6.1.(g) Long Term Disability Plan \$2,375,100—pass.

6.1.(h) Ambulance and Hospital Semi-Private Plan—zero.

6.1.(j) Levy for Health and Post-Secondary Education \$13,776,000—pass.

6.1.(k) Less: Recoverable from other appropriations (\$58,673,300)—pass.

Resolution 6.1: RESOLVED that there be granted to Her Majesty a sum not exceeding \$35,372,800 for Employee Benefits and Other Payments for the fiscal year ending the 31st day of March, 1997.

#### CANADA-MANITOBA ENABLING VOTE

**Mr. Chairperson (Marcel Laurendeau):** Resolution 26.1 on page 137, 1. Canada-Manitoba Enabling Vote (a) Portage la Prairie Waste Water Infrastructure - Capital \$3,700,000.

**Mr. Leonard Evans (Brandon East):** Without taking time to discuss this, I wonder if the minister could undertake to give us a brief report on the status of these infrastructure program arrangements made with the federal government and with the municipalities. This is a general report on the status, what projects were

completed, what remains outstanding, the money spent, the jobs created and so on, a general report on this. I am sure the minister would want one himself if he already does not have one, and then we can just pass the item.

**Hon. Eric Stefanson (Minister of Finance):** I just want to clarify, Mr. Chairman, is the member referring to the infrastructure program as opposed—we are on the Canada-Manitoba Enabling Vote right now. There is a separate section for the federal-provincial infrastructure program that we will get to in a minute.

**Mr. Leonard Evans:** Okay, I am sorry. I was on the wrong program.

\* (1220)

**Mr. Chairperson:** Shall the item pass? The item is accordingly passed.

26.1.(b) Winnipeg Development Agreement (1) Operating \$220,000—pass; (2) Capital \$220,000—pass.

26.1.(c) Agreement on Agricultural Sustainability (1) Operating \$389,000—pass; (2) Capital \$66,000—pass.

26.1.(d) Partnership Agreement on Municipal Water Infrastructure - Capital \$825,000—pass.

26.1.(e) Communications Technology Research and Industry Development Agreement - Operating \$120,600—pass.

26.1.(f) General Agreement on the Promotion of Official Languages - Operating \$200,000—pass.

**Mr. Leonard Evans:** Mr. Chairman, I would trust that information on these various items are to be found in specific departments, so that if one wanted, for example, to read about the Winnipeg Development Agreement one could find that in whatever the appropriate report is.

**Mr. Stefanson:** That is technically correct. There might be one or two of them, I guess the Portage la Prairie Waste Water, in part, falls under Rural Development, so that is technically correct for each of those Winnipeg Development Agreement, Urban Affairs and so on in terms of detailed discussion.

**Mr. Leonard Evans:** Would the minister undertake to send us a memo just indicating, where he can, where one would find information on these different items, if that would not be too much trouble, a list of references to the various reports that would describe these where such exists, you know, where they exist?

**Mr. Stefanson:** Yes, I can do that, Mr. Chairman.

**Mr. Leonard Evans:** Thanks.

**Mr. Chairperson:** Resolution 26.1: RESOLVED that there be granted to Her Majesty a sum not exceeding \$5,740,600 for the Canada-Manitoba Enabling Vote for the fiscal year ending the 31st day of March, 1997.

#### OTHER APPROPRIATIONS

**Mr. Chairperson (Marcel Laurendeau):** Resolution 27.2 is found on page 139. It is under the heading of Other Appropriations.

Resolution 27.2 Allowance for Losses and Expenditures Incurred by Crown Corporations and Other Provincial Entities \$875,000—pass.

Manitoba Potash Corporation \$350,000—pass.

Venture Manitoba Tours Ltd. \$525,000—pass.

3. Allowance for Salary Accrual, zero.

Resolution 27.2: RESOLVED that there be granted to Her Majesty a sum not exceeding \$875,000 for the Other Appropriations, Allowance for Losses and Expenditures Incurred by Crown Corporations and Other Provincial Entities, for the fiscal year ending the 31st day of March, 1997.

Resolution 27.4.

**Mr. Leonard Evans (Brandon East):** Again, I would ask whether the minister could undertake to get a report on the extent of decentralization. This is regarding, I believe, the civil service being distributed among various parts of the province, if we could find out how many people were transferred, what communities and whatever information we can describing the program. I believe the Deputy Premier (Mr. Downey) at one time did provide a

short report on this and there may be an update of that report. There may be some report around, but if there is not, could we get a description of the Decentralization program which I think has now taken place. It is sort of past history so that information should be available.

**Hon. Eric Stefanson (Minister of Finance):** Mr. Chairman, I do not believe we are even dealing with point 27.3, but the member is correct, there was a detailed report prepared last year. I believe it is intended that that report will be updated. I will certainly follow up on that and undertake to provide whatever information we can. I think Rural Development might even be in Estimates sometime soon, but I will follow up on that issue.

**Mr. Leonard Evans:** Okay, thanks.

**Mr. Chairperson:** The minister is correct. We were not dealing with 27.3. We were dealing with 27.4 Emergency Expenditures \$10,000,000—pass.

Resolution 27.4: RESOLVED that there be granted to Her Majesty a sum not exceeding \$10,000,000 for Other Appropriations, Emergency Expenditures, for the fiscal year ending the 31st day of March, 1997.

Resolution 27.5 on page 140, Internal Reform, Workforce Adjustment and General Salary Increases (a) Internal Reform and Workforce Adjustment \$4,000,000—pass.

Resolution 27.5: RESOLVED that there be granted to Her Majesty a sum not exceeding \$4,000,000 for Other Appropriations, Internal Reform, Workforce Adjustment and General Salary Increases, for the fiscal year ending the 31st day of March, 1997.

We will move on to Resolution 27.6 Urban Economic Development Initiatives \$16,000,000—pass.

Resolution 27.6: RESOLVED that there be granted to Her Majesty a sum not exceeding \$16,000,000 for Other Appropriations, Urban Economic Development Initiatives, for the fiscal year ending the 31st day of March, 1997.

We can move on to Resolution 27.7 which is Canada-Manitoba Infrastructure Program - Capital \$14,000,000.

**Mr. Leonard Evans:** Just again, has the minister undertaken then to give us a report on this program?

**Mr. Stefanson:** Yes, Mr. Chairman, I will gladly provide a summary of what has happened to date, what is still remaining to be committed, and so on. I do not have any problem with that.

**Mr. Chairperson:** Shall the item pass? Pass.

Resolution 27.7: RESOLVED that there be granted to Her Majesty a sum not exceeding \$14,000,000 for Other Appropriations, Canada-Manitoba Infrastructure

Program - Capital, for the fiscal year ending the 31st day of March, 1997.

This concludes what we had on our agenda. The hour being 12:30 p.m., committee rise.

Call in the Speaker.

**IN SESSION**

**Mr. Deputy Speaker (Marcel Laurendeau):** The hour being after 5:30 p.m., this House is adjourned and stands adjourned until 1:30 p.m. today (Thursday).

# LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, May 30, 1996

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