

**Third Session - Fortieth Legislature**  
of the  
**Legislative Assembly of Manitoba**  
**DEBATES**  
and  
**PROCEEDINGS**

**Official Report**  
**(Hansard)**

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Speaker*

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Fortieth Legislature**

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## LEGISLATIVE ASSEMBLY OF MANITOBA

Friday, March 21, 2014

*The House met at 10 a.m.***ORDERS OF THE DAY***(Continued)***GOVERNMENT BUSINESS****COMMITTEE OF SUPPLY  
(Concurrent Sections)****INFRASTRUCTURE AND  
TRANSPORTATION**

**Mr. Chairperson (Mohinder Saran):** Order. Will the Committee of Supply please come to order.

This section of the Committee of Supply will now resume consideration of the Estimates for the Department of Infrastructure and Transportation. As previously agreed, questions for the department will proceed in a global manner.

The floor is now open for questions.

**Mr. Dennis Smook (La Verendrye):** I'd like to ask the minister a few questions in—regarding the Gardenton Floodway. Like, it goes back—I think there was a report back in 1976 that there was some major work that should be done on that floodway. The Americans keep upgrading their systems there. I know that I just—I received a letter from the RM of Stuartburn not that long ago in regards to the Roseau River Watershed District was—it says here, Roseau River Watershed District proposed Roseau River Wildlife Management Area pool 2, pool 3 outlet project. So they're talking about dumping more water into the Roseau River.

So I was just going to ask the minister, in the Throne Speech from November of '13, it was mentioned that there would be work done to the Gardenton Floodway. I'd just like to ask if—what has been done up 'til now? Like, typically, when there's an announcement in the Throne Speech, it usually ties to dollars, and I was just wondering if any kind of dollar amount has been tied to that project.

**Hon. Steve Ashton (Minister of Infrastructure and Transportation):** Yes, we have this identified as priority in the five-year program. We're doing work on the functional engineering, as we speak, currently. And we're also keeping a very close eye on the broader condition of the dike. But it is targeted for a significant investment.

And I do want to put on the record, I certainly appreciate the member's concerns about this, and having raised this both to me and with the department and also the member for Emerson (Mr. Graydon). It is part of our flood structure that goes back to the 1930s, and it's in need of renewal and it's going to be renewed. Yes, we have identified funding in our five-year plan, and it really comes down to just finalizing the specific engineering details of it.

**Mr. Smook:** Would the minister be able to tell me, because in talking with the department, when it goes back to 2011, there's been probably three different options that they've looked at. Has the department come up with which option they'd like to pursue?

**Mr. Ashton:** That's not finalized yet. But what I can undertake, because I know this is, you know, a significant concern to the member, is to ensure that we do a full briefing once the final option is determined. As he's aware, there are a number of possible ways of dealing with this, but that determination should take place with this functional engineering work fairly soon. So, once that's done, I'll undertake to get a briefing both for him and the member for Emerson.

**Mr. Smook:** So we can look forward to having a decision as to what will be done in the next several months to—a plan of attack or whatever?

**Mr. Ashton:** Yes, and I'll also make sure the municipality gets a full briefing too. I know this is of concern and we will—we'll make sure that we fully share the information on the plan both in terms of the option that's been chosen and also communicate very clearly that this is identified as—I wouldn't just say a priority; it's one of our top priorities in the province in terms of our multi-year plan.

**Mr. Smook:** I'd like to thank the minister for that information.

The next topic I'd like to talk about is the Whitemouth—the bridge over the Whitemouth River at Whitemouth, Manitoba. The RM there has done a number of studies and they're basically in the final design stages in that. They would like to replace the bridge that has been closed for a couple of years, right near the community, because this bridge cuts—without a bridge there it cuts off several families on

one side of the river. And also there's a campground and several other things that are happening on the other side of the river that are in the close vicinity to Whitemouth, and there's several miles that need to be driven in order to go around this bridge. The bridge has been closed for a couple of years.

Now, the RM of Whitemouth has some preliminary costings at about 1.9 to 2 million dollars. The RM has approximately 1.158, or \$1,158,000, that's available to them right now, of which \$270,000 has been donated privately. The RM is looking at borrowing \$350,000, but they're still probably a half a million dollars short. And I know they have sent in applications to the department and stuff to try to get this project done because it is an important project for the area, and I'm just wondering if the minister could update me on anything that he may have in regards to that bridge.

**Mr. Ashton:** Yes, my understanding of the background is there were some issues. You know, the application being incomplete. They sent it to the Municipal Bridge Program, but I understand that has been resolved—there's—is close to being resolved. So at that point there would be an ability to look at the application—*[interjection]* Yes, we're on the technical side, so I can't speak on the actual disposition of the grant itself, that we provide the technical assistance to local government. It's a local government program. But my understanding is there was—there were some issues with the application being incomplete, but that's not the case now. So that's probably best directed to the minister for local government in terms of where it's at in terms of the application process.

**Mr. Smook:** How much money is available to the AMM or RMs in that bridge program?

**Mr. Ashton:** Again, and I do know the general amount, but it's probably best to ask that to the minister of local government.

Our role is strictly technical here. We do, obviously, have significant bridge expertise; we assist, you know, on a number of levels including the assessment of the applications, you know, in terms of the conceptual engineering. So my recommendation would be to talk to the minister on the actual finance side, and I'm sure—we're only just starting Estimates, so I'm sure the member would be able to ask that question in Estimates some time.

**Mr. Smook:** Yes, I'd just like to ask the minister, what's the reasoning behind putting the bridge

funding with the AMM's and local government when MIT usually does have the expertise in this area? So I'm just wondering what's the reasoning behind that.

\* (10:10)

**Mr. Ashton:** Well, the funding goes to the municipalities and, you know, there is a clear delineation between the highway system, you know, roads, highways, bridges that are provincial highways or provincial bridges and municipalities. There is a historic reason why there has been or there was an involvement of the department in a number of areas that crossed over, like the main market road program, and that goes back to the conversion of the—all but two of the remaining LGDs to municipalities, although, again, now that's—there's a role now that's been shifted over. And, basically, we may have the expertise, but the funding essentially is from local government which is responsible for municipalities to municipalities.

I do want to stress that we do have a new component that we—because of the late passage of the budget last year, we weren't able to fully roll out last year, which does allow municipalities to apply to cost-share work on the provincial system that meets local priorities, and that is under our department. But that, again, is for the provincial highway system. And we've already had a number of applications. We've had a couple that have been approved. And classic kind of scenario that we're looking at, say, with municipalities to maybe—you know, what is effectively the main street which is also a provincial highway, we have interest from a number of municipalities in upgrading the provincial highway to meet, you know, the standard that the community would like to see. It's not something perhaps that would be in our longer term capital plan but is important to the municipality.

We've got urban pressures on our highways. We've already agreed to cost-share a traffic study in Steinbach. As the member knows, there's a lot of growth in Steinbach. There's a lot of pressures on and in and around our highway system, so we could see some potential down the line for cost-sharing of improvements to that highway, based on the study that could look at access, you know, configuration of the highway. And there are many other communities, as well, where, you know, we're seeing a lot of growth. In southwest Manitoba, you've got a number of communities seeing that, you know, Morden-Winkler, Snow Lake—I could run through the list.

So I do want to indicate that, you know, if you see that in our program, that is to do with municipal cost sharing on provincial highways. We do—we have had some of that on an ad hoc basis over the years, and, certainly, you know, we're going to continue to have the bulk of our funding be provincial only. There—you know, you have to be careful when you're looking at cost-share programs not to have only, you know, those municipalities that have the ability to cost-share and pay receiving, you know, the attention. There might be municipalities that don't have the wherewithal financially, so you want to make sure, you know, that the highway system is neutral in that sense.

But what we do see is an opportunity—I raised this, as well, with the member for Arthur-Virden (Mr. Piwniuk) yesterday—we are going to be looking at some major upgrades on the provincial system. But—take the oil industry or take the new mining venture, you know, in Snow Lake with HudBay, Lalor Lake, which is a very significant industry. Or take forestry industry or take the ag sector. You know, it does allow for businesses or municipalities or both to upgrade a highway through this application process. And we're anticipating, by the way, this year, there'll be a fairly significant take-up on that, because it is a real opportunity for—you know, for municipalities to deal with it.

The reality, as I've said, I mean, we actually, outside of Winnipeg—where we're not responsible for anything inside the city of Winnipeg, we are responsible pretty well—I'd say probably three quarters of the main streets, main connections in rural towns and villages, and many significant economic arteries in terms of roads. So that's why—you know, I want to stress, we don't deliver the municipal bridge program, but there's a real opportunity for municipalities to partner with us on the provincial system.

**Mr. Smook:** Yes, when you mention main streets and provincial roads, it brings me down to—we appreciate all the work that you are doing on Trans-Canada, the bridges and the paving. I think that's great in our end there.

But it—there's a couple of questions I had from business owners along the Trans-Canada, like, I know that some of them, with the bridge that was done on the Trans-Canada last year, and I would imagine it'll be—there's supposed to be work coming on a bridge that—the opposite bridge on that opposite lane in the same area. Is there any type of

compensation for businesses who lose a lot of money in their businesses over, say, a—it's going to be probably a three- or four-year span where their businesses are probably cut down by 30 or 40 or 50 per cent.

**Mr. Ashton:** In a general sense there isn't compensation, largely because, by the way, I mean, it works both ways. You know, there are times where there's inconvenience on the transportation side, but then again these are transportation arteries that are also often key to the businesses. If the member does have concern about the eastbound lanes, we're not looking at that this year. We do try and minimize the construction delays as well. I think we've done a significant amount of work on that.

I'd also add, by the way, that we've also been working with the trucking industry. We had a recent situation where there was a closure, actually, on one, and it did inconvenience the trucking industry. It wasn't our initiative; it was one of the rail companies. And we have been working with them out of that experience to see if we can't find ways of having alternate routes that don't disrupt trucking. As the member will know, it doesn't take a lot with the 24-7 nature of trucking to have a significant disruption and cost factor for both trucking companies and the shippers. So we do try and minimize it and we certainly recognize there can be impacts.

Again, I'm very up front, too, with all the construction work. I only say it half-jokingly; I know there are delays. We try and minimize that. I think we've gotten very good at that over the years, but there's still delays, there's still inconveniences, and we do try to work with the surrounding businesses to make sure that we minimize that. I'll be the first one to acknowledge that there are disruptions from highway construction, but then again, once it's complete it does have some significant advantages as well.

The other issue we are looking at, by the way, just in a broader sense—and I mentioned this yesterday but it does apply as well to some of the work we're doing in and around Emerson, which I know the member is, you know, aware of, and the member for Emerson (Mr. Graydon) talked about yesterday—you know, where we do look at making significant highway upgrades, we're often looking at rationalizing access, but in some of our major projects we're also building in—ensuring, for example, that Emerson is not essentially cut off or

restricted from access onto 75. And I'm talking about a real sense; I mean, there's always access because we also are trying to work with communities, particularly with Emerson right now in that context, to see ways in which the transportation planning can actually help business, whether it's off-right off 75 itself. There's some interest in the community of, you know, for outlet malls, that sort of thing.

You know, and again, how you plan the transportation is a key part of it but it is also important to ensure there are services available—we're working on that—and that the town itself has the opportunity to benefit. When you're looking at significant traffic movements, often transportation can make a huge difference on actually adding economic activity. So we also do look at that side as well.

**Mr. Smook:** Question in regards to the road, it's a numbered PR that's coming off of Trans-Canada at the community of Prawda. There has been a couple of businesses there that are doing some work there and they're upgrading their facilities. I'm just wondering where the upgrading of that intersection stands right now, if there's been any plans to do anything with it.

**Mr. Ashton:** What I'll do, I'll ask the department to get an update as we perhaps proceed, and—actually, a quick—I have the quick answer to that—it's a quick turnaround—we're—we are working with the developer on that right now.

**Mr. Smook:** It's been a long time and it seems that there's a number of delays where, when we look at community development, when somebody's willing to spend millions of dollars in the community, that there seems to be dragging along for a long time. I just was wondering if you could provide me with an update ASAP on that. There's another construction season that's coming, and I would hate to see it dragged out another year.

**Mr. Ashton:** Yes, I think the—you know, a lot of this was to do with getting acceptable options. You know, I think the—one of—the issue, I'm advised, was the developer wanted direct access, which again is—doesn't meet the standards that we do in terms of design.

\*(10:20)

So we're working on our other options that would provide, you know, the advantage to the developer, to the business owner, without impacting on the actual standard of the highway. So that's why

it's taking some time. *[interjection]* Yes, and the key balance with all of this is, you know, there is a direct trade-off a lot of times between access and public safety. The more you rationalize access, the safer the highway and, you know, you still need some form of access. You know, I've seen highways designed in other jurisdictions where they're wonderful highways, speed limit 130 kilometres, no access on or off for consistent period of times. As a matter of fact, this one place I know, they had a snowstorm and it shut down the highway for three days. They couldn't even—it was such poor access they couldn't even get snowplows on. That's not Manitoba. We know how to handle snow here. So—but it just shows, you know, there is that trade-off even on the other side. And it—to my mind—we are—I'm advised we are working quite closely with the developer and we're optimistic of getting some resolution on it.

**Mr. Smook:** Yes, I get a lot of questions from my constituents in regards to Highway 15. Is there any plan in there for doing any renovations to Highway 15 east of Dugald? Like, I mean, you could go for 70 miles there, probably. Is there any plans to any of it? Because some of it is in pretty rough shape. A lot of the areas don't have a lot of shoulders.

**Mr. Ashton:** Yes, we are looking at the surface condition. I'm advised by the department they're certainly aware of some of the surface issues. So we are looking at that in terms of potential options to deal with that.

**Mr. Smook:** Are there any timelines on this? Are there any plans in the next—in this five-year project to do anything in these five years?

**Mr. Ashton:** Yes, we do have some plans in terms of microsurfacing on one section—*[interjection]*—207 to Dugald is planned for—*[interjection]* And that is—I'm also advised that is where the high-traffic counts are. So it would target the most trafficked area.

**Mr. Smook:** Since I understand we have some EMO staff here today, in the southeast corner of the province we've had problems with fires over the last number of years we've had, and even during our flood conditions. And one of our major problems is communication, and I'm just wondering if EMO has looked at any better way that we'll be able to communicate should we have a bit of a disaster in the area.

**Mr. Ashton:** Well, I can certainly indicate we're more aware of the overall frustration with cellphone

service. We share that. We have raised this with the federal government, which is the regulator. They regulate telecommunications. They're a significant beneficiary, you know, of the ability to auction off—the ability to do that. So there's a financial flow to the federal government.

We also believe that there's a responsibility that goes with telecommunications providers to deal with that. I do want to stress that's—I know that's been raised with me numerous times by municipalities, but it's not the primary form of communication. One of the problems with cellphone service is even when you do have it it's very easily disrupted and, again, it's not totally comprehensive. I'll talk about when, during the 2011 flood, I was in constant contact with Kam Blight, who is the reeve of the RM of Portage. He lives about seven kilometres away from Portage la Prairie. I could text him, but I couldn't reach him by phone. So there's dead spots. Even here in the city of Winnipeg there are places in the city of Winnipeg, actually, particularly in around the stadium—I've gone to restaurants, I've got family in around the area, no cellphone service right in the middle of Winnipeg. So I want to stress that it's a legitimate concern, but it's not a primary form of communications.

The key thing we have been involved with is with FleetNet, and we are in an upgrade. The FleetNet is, you know, is basically the basic spine of communications. Because the key concern for us, quite apart from the, you know, the broader issue of communications in the general public is the ability to communicate with emergency service providers, and we're certainly aware of the fire aspect. I, actually, coincidentally, was out in that area during the, you know, the last major fire and I saw first-hand how rapidly it moved.

You know, you really need—you need to have a very efficient system in terms of dealing with that. And I do want to credit, by the way, all the municipality's and their—the speed at which they moved was quite significant.

The other thing I want to mention on communications generally is we are also wanting to get to the next level in terms of the broad public alert system. The platform is there. We—as Emergency Measures Minister along with the federal minister, who at that time, of course, was Vic Toews, did sign off on a broader agreement to proceed. We still have a problem that it is not mandatory for telecommunications providers to do that. We—I know there were some concerns expressed on the liability

side, but for that to be effective we need all platforms and all providers to be able to provide that information.

The member mentioned forest fires, they can develop very rapidly. Another one is obviously tornados, which also can impact in his area, and what we are looking at is we have a system that can provide broad-based information whether it's by Internet, cellphone, radio, television, you name it. And, again, we think that the next step there has to be at the—probably at the regulatory level. These are all—communications platforms are regulated by the CRTC and the federal government can have a significant role.

That's not meant as a political shot. It's just meant as a sort of reality check, because we do need to have the ability to get targeted information out to people. That's the first step, you know, if there is a threat. We also need to communicate with service providers, you know, emergency service providers, and that's where FleetNet comes in.

**Mr. Smook:** Yes, has the minister's department in the last 10 years provided any funding to any type of cellphone service or fibre optics, like putting conduits in roads for fibre optics for free Internet? Has the department funded anything in the last 10 years?

**Mr. Ashton:** Not EMO and it's not really EMO's role. The Province, I know, has provided funding for weather radios. I don't know if the member has one, but I have one in my office. The—this broadcasts significant weather warnings, et cetera. We did provide funding through government to public facilities, municipal offices, child-care facilities. Again, it's a low-tech, but very effective approach. In fact, I'm advised now it's in all schools and in all RMs, and we've encouraged people to buy them. They're pretty inexpensive. Many farmers have them, you know, certain construction companies I would assume have them. The member may know a bit more about that—I mean, people that have to worry about the environment on a day-to-day basis. So we have provided that element.

But the key issue with cellphone service, I can tell you—Highway 6, we used to have virtually no cellphone service. It's now the length of it. It makes a real difference. The market will take care of some of that. I mean, there is a significant amount of traffic, but probably the remaining areas that are gaps in the system where there's any kind of population of southeast Manitoba and a fair amount of northern

Manitoba. It's a concern in Lynn Lake, Leaf Rapids and many other communities. And I want to stress again, it's not a substitute for many of the other things. But what we're finding is—and I'm sure the member will, you know, see this is as many people who, pre-cellphones, wouldn't even think of whether you have a cellphone or not, or early on in the—you know, with cellphones, if you didn't have a cellphone you just didn't worry about it. There're a lot of people don't want to leave, don't want to drive anywhere unless there's cellphone access. So we recognize even for motorists it's become a—seen as an important safety aspect, as well.

\*(10:30)

So we're very supportive of that. I know our minister responsible—which I believe would be Jobs and the Economy now, I think, in terms of departments—and the previous minister, you know, the then-minister who's now minister of mines, have both taken a lead role on this. And, again, the solution is pretty straightforward. It would be a requirement for the key service providers to go beyond just the individual business case and provide generally, because, you know, the southeast is a classic example to my mind. There's demand there, and experience certainly elsewhere is that you—you know, you open the service up, and many remote northern communities have localized service. It adds to the number of customers. You know, a lot of people get cellphones. So, you know, it may not meet the sort of the primary business case, but there's certainly some applications.

And we are concerned that some of the service providers have been, if anything, cutting back on some of their investments in the cellphone side over the last number of years. When we owned the company, we could do it directly. Saskatchewan has much better cellphone coverage than we do. It's publicly owned; it's part of their mandate. But currently we don't own it and we don't regulate it, and our view, by the way, is that there's more than enough money in the system, so to speak, that if it was mandated by the CRTC at the federal level or the regulator, we would see, probably, the first place in Manitoba where you'd see a real difference would be in the southeast.

**Mr. Smook:** One more question for the minister. When I asked this previous question, it—I—it's not just MIT, but—or, sorry, not just EMO, but MIT. Has MIT ever put money into any of those functions in the last 10 years?

**Mr. Ashton:** Our focus is on the highway, not the information highway, and we have seen, you know, significant enhancement throughout the province in terms of communications generally. And I do know, you know, and I'm not, again, being entirely critical of the federal government; it's not a political comment, but they have made some moves on rural broadband service. Again, that's kind of the other element of it, but, yes, our focus in terms of when we talk about core infrastructure, roads, highways, flood protection. Beyond that, you know, we'd have response for buildings, et cetera, but the broader telecommunications is really outside of our mandate.

**Mr. Doyle Pivniuk (Arthur-Virden):** A question for the minister. This past few number of years we've had a lot of flooding that was happening in the western part of Manitoba; a lot of drainage that comes from Saskatchewan is coming into Manitoba. We saw Reston had significant amount of rainfalls, and same with Virden. We've had a lot of issues with the drainage. One thing that hits home—close to home for me, is I'm from the Shellmouth area, and right behind our farmland, a big valley—ravine that comes from Saskatchewan took out a bridge that was one time a culvert, and now it's becoming from a creek bed to a riverbed.

Is there any master plans in the five-year projections, like, the plan that you guys have, your five-year plan, for doing more drainage and more culverts and more canals that would bring the water into—so that it doesn't destroy farmland but also housing, and especially we saw in Reston this past year?

**Mr. Ashton:** Well, I'll start on the illegal drainage side. We've been a leader on this. The last number of years we've had a significant initiative to tackle illegal drainage. I could talk from direct experience. I was minister of Water Stewardship when we undertook it, was a bit controversial in the Legislature, and I won't revisit the debates. I think it was the right thing to do. It was not to target anyone. And we were finding significant number of communities where people who were going through the proper processes were saying, well, what's the point if you've got people that are not following the proper processes? And, you know, it doesn't take a very significant number of people who are doing illegal drainage to impact on everybody else.

The—we are—we have been in contact with Saskatchewan on a number of levels, but I can tell you they had indicated at our last discussion that this

year they're going to basically be adopting the same approach that we have, which is a significant enhanced capability to deal with illegal drainage. I want to stress, by the way, we also added to that additional resources to allow people to have legalized drainage, you know, so it's a matter of capacity on the legal side and penalties on the illegal side. So there are some legitimate concerns on the illegal drainage side.

I want to stress that doesn't necessarily have an impact on the higher level floods. I mean, in 2011 the amount of water that we're dealing with—take the southwest, take the Souris River, for example, three crests on the Souris, and, you know, it clearly wasn't just illegal drainage. That was a, you know, a massive flood, and, of course, what happened with Minot is just evidence of the degree to which it made—it, you know, had a massive impact.

I can indicate on the broader flooding issue a lot of the work we've done over the last number of years, and particularly in 2011, has put us in good stead along the Souris. And, actually, more broadly across the province, we now—every community is now ring-diked, and, you know, and I look at the experience since 2009, 2011 in southern Manitoba, in Melita, you know, a community that was constantly impacted, we now have basically—we've dealt with some of the broader flooding issues.

Again, I mean, our approach in the province, one level is enforcement. One thing we are looking at is more retention. And it's interesting, I was at the Red River Basin Commission yesterday, I know there's a lot of work taking place on the US side as well on that, and the State of North Dakota is looking at some innovative approaches, you know, what's called the waffling approach. I mean, there's some proposals here in the province. I met with some municipal leaders who would like to see some sort of a project here. It takes—similar to what, you know, the ALUS proposal is—and the member for Portage, I know, is an expert on that—but would—you know, could potentially apply it in terms of retention. So we are looking at some of the options there as well. *[inaudible]* without the on-land, you know, and private land storage that, you know, could mitigate some of the problems.

But the broader issue with—I think with the, you know, issue with Saskatchewan is much more localized, and, you know, when I've met with the—lot of municipality leaders in the southwest, the—any component of illegal drainage would have been

negligible in 2011, but it's the kind of situations that the member's identified, very localized situations, where you can make a difference. I'd stress that drainage is primarily—the design for drainage is, really, is for ag and localized water control purposes. If you look at the flows in any significant flood, they overwhelm virtually any drainage system. But, having said that, again, there are localized situations where it can make a difference.

And, if you have significant issues on any border area with Saskatchewan, that does create a problem. I want to stress, by the way, when I talk about Saskatchewan, the illegal drainage side, they've also been very co-operative with us in terms of managing their water systems. We do work with them. There are a number of ways in which we work with them directly. Steve Topping, for example, the member's probably aware of, does—the prairie water board, I think, right? Yes. Prairie Provinces Water Board, he's on that, so we have various forms we can deal with with them. They have been working with us co-operatively in managing their retention structures. The member's probably aware of this, but most Manitobans aren't, the degree to which Saskatchewan's got a pretty extensive retention system, and how they manage it makes a big difference, and they have been managing it in a way that minimizes impacts on Manitoba.

So I want to put on the record that, you know, we don't just point fingers if there's something wrong. We also give them credit when there's something going well. I've met with my counterpart in Saskatchewan. The Minister of Conservation and Water Stewardship (Mr. Mackintosh) has also met with our counterpart in Saskatchewan. When we had the joint Cabinet meeting, we identified this as an issue that we want to continue to work on. So we've got a good working relationship with them.

\*(10:40)

So the bottom line here is we would anticipate, if they're moving to a system similar to ours on illegal drainage, that would help mitigate the situation, but we're certainly in our own water management, and I know the surface water management, you know, policy, and my colleague has been talking about that as well, we are looking at retention as well as some of the broader flood control issues. And I think the member's probably aware of, you know, the Lake Manitoba scenario—Lake Manitoba, Lake St. Martin, you know, the larger flood mitigation projects, but retention is certainly very much on our horizon.

And the member mentioned about, you know, with the Shellmouth, I mean, probably the biggest example of that in Manitoba is the Shellmouth Dam, which makes a huge difference every year in terms of flood control and water management in the Assiniboine. It is responsible for a significant amount of value-added agricultural production, particularly in the Portage area. So, you know, the Shellmouth itself is—and I know there are localized issues and there are concerns, you know, that—about this, the operation of the Shellmouth, but it certainly is an example on a large scale of retention. And people tend to forget, by the way, but on the flood control side how much it helps mitigate floods; 2011 flood is a good example. The operation of the Shellmouth along with the Fairford outlet made a very significant difference. As bad as it was in terms of impacts, it could have been a lot worse.

So we're more than aware of the fact that retention is a key factor. I appreciate it's a long answer, but, you know, I think the member raised a lot of questions and I wanted to give sort of a comprehensive sense of what's happening in the southwest.

**Mr. Piwniuk:** Another question for the minister—was just going to elaborate more on the—I know when I was doing my campaign there was one situation where one person suggested that, maybe, possibly doing more dams, like Saskatchewan has done, retention, especially in the area, like especially in the southwest area there is a lot of flat plains, whatever, but there's a lot of creeks that flood—run into that like the Oak Lake river system, the Pipestone river. You know, it comes from the highlands of Saskatchewan into more of a flatter lands of an Oak Lake area. There is a lot of flooding going on in that area.

Is there issues being—solutions of actually creating some more canals and retention pond—retention dams up creeks—up from the Saskatchewan border onward?

**Mr. Ashton:** Yes, short answer is yes. KGS is doing a broader analysis of any and all flood-related options, including retention. And people are probably aware of some of the, you know, the bigger picture elements. I mean, the Holland Dam, you know, that, I mean, they will look at that, which is a—would be a very expensive but, you know, high-level project but they're also looking at a lot of other, more localized initiatives.

And not just in the southwest by the way, we're also quite concerned about some of the flooding

that's taking place in the Parklands, parts of the Interlake, and we've seen some, you know, chronic flooding in those areas and some very unusual patterns, you know, in terms of Waterhen, like in terms of flows, and there are some issues with Dauphin Lake, Lake Winnipegosis, you know, so we're looking broadly.

And I want to stress that, you know, there's a lot of attention, rightfully so, on Lake Manitoba and Lake St. Martin; it is a priority and we precommitted the—to the two outlets, but we also recognize there were significant flood impacts in 2009 and 2011 in other parts of the province including in the southwest. We also recognize, too, by the way, in—the southwest has had both too much moisture and not enough over the last number of years. There's been some significant variation. So, you know, again any of these type of initiatives, if there's any ability to help in terms of the management in both, you know, during the wet and the dry aspects of the cycle, are something we'll look at.

But KGS, which is, you know, the pre-eminent engineering firm in terms of, you know, this kind of analysis is definitely looking at the kind of things that the member has talked about.

**Mr. Piwniuk:** Another question, this is actually going to the EMO—being that we're in the oil industry in our—in my constituency, the concern was, you know, if there's ever emergency measures when it comes to an explosion or a gas—we have TransCanada pipeline that goes throughout the whole province, and there's talk about expansion of an oil pipeline for the TransCanada, too, and even the side pipelines that, you know, Tundra Oil & Gas has—is there plans to maybe help some of—with some of the fire departments to equip them better when it comes to—or having facilities? I know there's one issue right now that they want to expand the—especially the Virden fire department so that they're equipped more for emergency situations, if there's ever an explosion, that they can be better equipped, have the equipment for that. Is that something like—that's on the long-range plan for EMO?

**Mr. Ashton:** Direct responsibility on the fire side is the Fire Commissioner's office, so the member may want to raise that directly with the minister responsible, Fire Commissioner's office. In a broader sense, I can tell you, certainly coming out of our experience with the recent gas explosion, I'll—I will make a couple of comments, perhaps, in the EMO perspective which do apply equally to the pipelines.

You know, the kind of scenario the member's talking about and kind of more broadly, I'll just make a couple of quick comments as well, because, you know, the issue of rail safety and rail transportation, you know, is something that I'm sure is a concern to the member and his constituents.

First of all, in the broader context, what happened with the gas explosion—every municipality does have an emergency plan. That's a statutory requirement. We certainly saw there a very quick response—and I do want to credit, by the way, the pipeline for their involvement, TransCanada Pipelines did react fairly quickly. We were able to co-ordinate with the municipalities and we particularly were able to get emergency gas supplies into, you know, key infrastructure. That was important.

And I do want to credit everyone, you know, from those that had to fight the fire or deal with it in very challenging circumstances. And I can tell you, we also have a provincial exercise for everybody that tested our provincial response capacity for the oil industry, you know, focus on any potential rail incident. So we are—we're not only—we not only have plans, but we are working to ensure that we have appropriate response.

By the way, on the oil side and hazardous goods side we've had experience with derailments. There was a significant one a few years ago. So we're—you know, we've had some ability to assess that. We've also—though EMO we've also started a process to make sure that we talk to all of the critical infrastructure providers. I mean, having continuity and continuity planning is critical. Many of the key providers of services have very significant plans, but what did strike me, for example, with what happened with the gas explosion—we were able to get compressed gas in as a backup, which proved very valuable. Many other areas of the province, increasingly hydro is the primary source of heat.

It does raise the question—and I certainly asked it—what if, say, the city of Thompson was to have a shutdown in hydro service, you know, with the kind of temperatures we have? Believe me, I've had the hydro go on my place twice; once was on Christmas day, and it was -37 and I—what I—what struck me is how quickly the temperature drops. That was one—probably the most memorable Christmas we spent, but not in the good sense. But, you know, it just showed the degree to us—there's different dimensions on what might happen with that interruption.

But I do want to say on the pipeline stuff, I thought the—I mean, the company's obviously going to have to, you know, look at what happened. But, certainly, our experience is they did respond well and the municipalities did a terrific job. So I—you know, it shows the degree to which the emergency planning—you know, that we have a good state of emergency planning and our municipalities are relatively prepared.

\* (10:50)

On the transportation of oil by rail, this is a major concern for us as a province. As Minister responsible for Transportation I co-chaired the federal-provincial-territorial ministers' meeting with the federal minister. I do want to commend the federal minister, by the way, for some of the response that they put in place, particularly following Lac-Mégantic. You know, it's absolutely critical in two ways that we deal with this. One is just the broader issue of transporting hazardous goods, but has a particular impact on—Bakken oil field, because the—you know, the oil that was, you know, explosive in Lac-Mégantic, came from the Bakken oil field. There are some specific issues related to, you know, potential volatility. And, you know, so it—to my mind, it's important for the continuation, to my mind, of this—you know, the expansion of the oil industry, particularly in our area. So it's got, sort of, two ends.

Very quickly, the big—some of the major concerns are, and I'll put it on record by the way, it's actually—a lot of people assume it's the rail companies that are more directly responsible than they are. They have certain elements which are under their control. We'd like to see more information to municipalities on hazardous goods that go through their community—not just oil, but others. But on the other side, there's this ongoing concern about the kind of cars that are used. There are the new cars that are doubly reinforced, you know, the valves, et cetera. They're not actually owned by the rail companies. The rail companies themselves own very few rail cars that transport crude oil. But you've got a continued increase in terms of use of rail because of lack of pipeline capacity, so it's an ongoing concern.

I do want to say that we are going to continue to focus on this issue. I won't get into detail, but we've raised concern about OmniTRAX transporting crude oil through the Port of Churchill, impacts on the environment, safety issues. I can also add, back to the emergency prep side, we've written to all RMs offering to assist with planning related to hazardous

goods moved by rail. So, you know, we're making sure that they not only have an existing plan, but that it's up to date. And they—there has been a move by the federal government on goods. Unfortunately, it's after the fact, in terms of what does go through municipalities. It's a start. Municipalities will have a much better idea of what does go through their communities. But we'd like to see real time on information. The member mentioned emergency service providers; we believe the goal should be to get a real-time information source being available so that if you have a derailment in a community, that the emergency responders know what's in it.

And I want to stress, by the way, there's been a lot of focus in on crude oil, you know, bitumen—that end of it. And it's understandable after what happened in Lac-Mégantic. People are expecting much better regulation and much better systems in place. I mean, it's just not acceptable post-Lac Mégantic to have anything other than a wholesale improvement. But having said that, there are a lot of other hazardous goods go through communities on a daily basis. Some of them probably even more significant in terms of potential impact on communities in the case of a derailment or, dare I say, an explosion. So when we're focusing on crude oil, that's only one element.

And I do—and I just want to finish again by, in the broader sense, saying that I think there's been a very significant response by everyone involved. I want to credit the rail companies too. Both CN and CP have been, I believe, stepping up on this, it's important to know, but in Lac-Mégantic it was not a—one of the two major rail companies, it was a short line that was involved. But even the short lines, I think, are also increasingly aware of this. So we are aware of this, and we're doing our part through EMO and our part through MIT.

**Mr. Ian Wishart (Portage la Prairie):** And, being as we're talking about water issues, it fits very well in what some of the questions I had wanted to ask. And I want to ask about the process that's going on in the Portage Diversion right now. There's some work going on both at the control structure and at the—down towards the outstream outlet. It looks a little bit like delayed or regular maintenance. Is that—can the minister confirm that's the process that's going on?

**Mr. Ashton:** Yes, we've been in some rehabs and maintenance; yes, that's correct.

**Mr. Wishart:** Well, thank you, Mr. Minister. Does that include work that might be done on the outlet structure? Because, as the minister knows, considerable improvement in the capacity of the diversion has gone on post—during 2011 and post-2011 to all of the structures except that one. It's been left basically the same as it was. It's looking pretty tired and, in fact, looking somewhat damaged. The minister give me any indication whether anything will be done at the outlet?

**Mr. Ashton:** We're looking at that right now. We're doing the technical analysis, and that's certainly something we're not only considering, I'd say it's most likely that we will proceed. But we're getting the technical reports on that. The member's quite correct; that is an area where we should be looking at, and we are looking at.

**Mr. Wishart:** And I appreciate the comments. With a target date in mind, just so that the locals can—would know, do you have any idea?

**Mr. Ashton:** We're looking within—with our five-year capital program. A lot of it will depend on what the engineering—the degree to which we will have to make changes on it. But it's on our five-year capital planning—I want to say horizon, you know, we're—once we get the technical work we'll just proceed with it.

Yes, and I should stress, too, in addition to this immediate structural issue, there is also the capacity issue or the operational issue, so the study itself is looking at not just, you know, the gates themselves or any other component of the Portage Diversion; it's looking at, really, sort of what its current design should be. I mean, it really, you know, hasn't changed that much since the—since it was established in—you know, we're talking decades ago now. So it—this is the key element, is actually getting it with a fully functional plan and then fully upgrading it.

I also want to add, too—and I realize it's a bit outside of the scope—we've included the Portage Diversion—wouldn't say outside of the scope, not outside of the scope, the question. I just want to reiterate that we are also looking at the operating rules for all our flood structures. We will be proceeding with that. We've put in place the process.

I've also asked someone the member knows well, David Faurshou, former MLA—seems the member's continuing the tradition of MLAs from Portage having first-hand knowledge of the Portage Diversion and putting the department and the minister on the spot. I jokingly said when we

announced David Faurschou as the—as someone that's going to be working on the outreach that that was one time I always knew that he was better briefed than I was, because—and the member knows, when you're out there and you see it—*[interjection]* Yes, yes, when you see it directly.

So we're also going to review the operating rules because they essentially haven't been reviewed from day one. We do have a statutory requirement to review the operating rules on the Red River Floodway as well. So it seemed appropriate, with all the work we're doing on flood mitigation, to include that. So we will be consulting, we will be looking at all those operational rules, because, certainly, that's been a concern over the years, particularly in and around the Portage Diversion itself. And I'm not—there's no preconception about what the end result might be, other than the fact that it's time to do our—a thorough review, and that's what we're going to also do, in addition to all the capital planning that we're in and the rehabilitation we're doing on the structures.

**Mr. Wishart:** Well, and I thank the minister for the additional comments on the operating guidelines. That was my next question. I wanted to know where—what the status was and when, in fact, you might anticipating have a different set of operating guidelines.

And I did want to throw into that blend as well, I noted in the comments—well, in the budget speech, there was reference to supplying water to CentrePort, and I've heard, certainly, through the media that the site that they—or the source that they're looking at is, in fact, the lower Assiniboine. If that was the truth, wouldn't that have some impact on the operating guidelines, really, on the whole lower river system and all the way back to Shellmouth because water storage would become a different issue in that whole complicated factor, and is that part of the criteria?

**Mr. Ashton:** Well, now, that's an interesting point, and, of course, not everybody knows the issue—one of the issues with CentrePort was finding a source other than Shoal Lake, and, certainly, there is an agreement to proceeding with that. I'm not sure what the flows would be, but any analysis of what happens on the Assiniboine would have to look at all of the users.

\* (11:00)

You know, there are significant users in and around Portage right now. We tend to forget that, I mean, the Shellmouth Dam, for example, you

know, it—most years it's really helping us provide a regulated, guaranteed water supply in the Assiniboine. Without it, you know, a lot of the heavy, water-intensive agriculture just wouldn't be possible in and around Portage. I look at well, potatoes, and anything on the vegetable side. The member knows this more directly than I do but it, you know, we—and one of the things I think out of the review and some of broader aspects is I'm also hoping that there's also kind of a broader understanding of everybody's perspective because, you know, I often—I mean, I recognize, you know, there are different views even in the member's constituency of, you know, people, say, in and around the diversion itself versus those that benefit from the, you know, the control aspects because I think what's happened is, generally speaking, outside of, you know, people that really follow it, a lot of the general public doesn't appreciate the balance that's been—that was put in place, the original broad vision.

We often tend to forget how much the Shellmouth plays a role, in terms of flood regulation, but in—you know, if there's not a broader understanding of the impact on the ag side of as well, I mean I often hear people who are quite critical of the operation of the Shellmouth, and I do appreciate that can impact on people negatively and that's one of the reasons we have compensation put in place for landowners in the immediate area, but if you were to pick the single—like, outside of the flood impact, I'm talking about the single most important water control structure in Manitoba, it's the Shellmouth, in terms of value added. And without the Shellmouth, I mean, some of the—some of the most—some of the highest priced land in Manitoba, some of the—you know, in fact, the greatest increase is in around Portage.

The member knows this first-hand, and a lot of it is because of the short water supply. Without that, and particularly when you're looking at major investors, you know, they need water that's there every year. You know, the potato industry would, you know, would not exist without it, and I'm hoping out of this process that we end up with better operating rules, more generally, but also a broader understanding of everybody's perspective and maybe that will factor into the, you know, operating rules that are not only seen as fair, fairer than now, but actually are kind of more broadly seen as fair because I think it's, you know—because we haven't done this review in a broader scale. I think over the years a lot of people have lost sight of what the real intent of the structure was.

And I have to say, by the way, we give a lot of credit to the vision for the Red River Floodway and, yes, it's prevented \$38-billion worth of damage. Notwithstanding that, you know, that there are always impacts, but the Shellmouth, the Portage Diversion and the Fairford have had huge beneficial impacts over the years, and we believe by the way, you know, that the completion of the Lake St. Martin outlet will essentially finish the job, you know, that was started. So I'm hopeful this review will also, you know, get a new generation of understanding in terms of what the trade-offs are and some—perhaps some empathy for all, you know, some of the negative impacts, as well, because, you know, that's part of the—you know, there are years in which there are trade-offs and I appreciate that.

**Mr. Wishart:** I appreciate the minister's comments and I do—I certainly understand that we have a need for better understanding on who's using the river system and certainly it's not even appreciated by some of the people in the area that we have significant domestic water use out of that source, as well, and of course we need to maintain that both for the city of Portage, city of Brandon, but there's also quite a bit downstream in the Cartier water system that really derives most of its water originally from the Assiniboine. So we all have to look at where that is.

And, related to that, I was wondering where—what the status was with the gate project at Shellmouth. I know KGS has that as part of their mandate, I suspect, and the big picture, but that one was sort of on the books before and I'm wondering if there's a chance that that one can—may be going ahead on a prioritized basis.

**Mr. Ashton:** Yes, there's a bit of history there. The original lead on that was the federal government. They backed out. That did lead to a significant delay in the project. We've undertaken basically to take over the management of the project. It does have some benefit. It would not have made any difference to 2011 with the water flows that were there but does add greater capacity in terms of that. That work is being done. The Shellmouth is still scheduled for, you know, for an enhancement to it, to its facilities. Again, I won't get into length, but it's proven its worth time and time again.

I also want to acknowledge, by the way, while I'm on the Shellmouth and, you know, the degree to which we're also moving ahead on the new system in terms of the compensation for the landowners in the

area, it is statutory now. We did have some delays because of the 2011 flood. I know this was a question in Estimates yesterday and I just, you know, we're going to get further information on the status of the compensation. But again, as we proceed we now have the—much more of the baseline experience. Up—prior to the compensation there were programs put in place, but they were ad hoc programs, and we're anticipating as we proceed that there'll be much greater ability to—even in significant flood years to be able to respond to that.

But, yes, we are back on track in terms of, you know, the broader ability to enhance the Shellmouth, and it's not that we're looking up on the capital side as well to sort out our intention. I can get the member an update on some of the current time frames, but it is an active project, yes.

**Mr. Wishart:** Well, and that'd certainly be appreciated, Minister, if you could give me an update as to where that project is at.

While we're talking about projects, there's still some small scale work being done on the lower Assiniboine dikes. I suspect a portion of it is in response to the 2011 flood and some repairs that are continued on there. And I have heard from some constituents that there's been some people approached to purchase property along there, because it is one of those problem areas in the province where old titles exist and many of the landowners actually own the—or own the land right to the river's edge, which means that the dikes that have been there for many, many years are often on private property, so getting it clear who has the right to work on them and who has the responsibility for damages.

Is there any long-term plan there, or are what we're seeing so far just response to the 2011 damages, as there was no separate program for that area? It was left out of the—of all the programs.

**Mr. Ashton:** The member's correct. There are some landowner issues. We're going through due process on that, and he's quite correct that it is more complicated there because, again, a lot of the diking is on private land. So we have to, you know, respect the property owners, and where we don't come to agreement we have a proper process to go through and we are proceeding with that. The member's quite correct, we have a multi-year process upgrading the Assiniboine dikes. We did a significant amount of work during the flood, just prior to and during the flood in 2011.

The key issue is going to be dealt with, again, through the KGS study. One of the key findings—already we found, you know, the real-time findings in 2011 was the actual capacity of the Assiniboine dikes, which is—historically was certainly probably 22,000 cfs, you know, to its maximum. We were running it maybe 18, and that's—[interjection] The other issue, too, is the 22 was over a short period of time and, again, reminded that the dikes were able to handle it. What was probably one of the biggest achievements in the 2011 flood was the degree to which we were able to operate—you know, the capacity was to get through the Assiniboine for as long a period of time as we did and there are a number of reasons why.

I—you know, I want to credit the military, by the way. They came in at a key time. Some of their surveillance equipment and the stuff that came off the battlefield, so to speak, and was able to identify trouble spots. I mean, you know, you could basically—I'm holding up a glass of water here for Hansard's purpose—but, you know, the sensitivity was right down to this level overnight. I mean, I remember asking one time how many breaches there were, and I kind of regretted that, because when you considered, you know, you'd be running 30-plus overnight breaches, that gave us the ability to absolutely mobilize our staff on the ground and our contracting capabilities.

So there was a significant, you know, investment, and if we hadn't been able to maintain the Assiniboine dikes, I'm sure everyone knows what the potential impact would've been of any kind of breakout east of Portage. It would've been very, very significant in terms of damage. So I want to indicate that we will be looking at that.

\*(11:10)

We did look in the flood, by the way, at—if there was anything that could be done. One of the difficulties, to my mind, with the Assiniboine, as the member knows, essentially, the dikes are, you know, above ground level, so essentially, you end up with some significant structural issues. You also, too, and not—you know, being the layperson, it's not illogical that if you actually control rivers over time, what happens is you don't get the flushing out of, you know, major floods to the same degree. So there's all sorts of issues.

We did look at even at dredging. Everybody assumes dredging is kind of a simple solution; it's not. Not only is it not simple, it's also expensive and

not always that effective. So there's no simple solutions there, but clearly with KGS, at a minimum we need to look at the design standards for the existing dikes. Do we need to enhance them? And, again, we do recognize that every cfs we can get running through the Assiniboine in a major flood is a cfs that's not going to go elsewhere, you know, through the Portage Diversion.

So it is a high priority, but I don't want to leave any illusion. I don't think there's any simple solutions, but at a minimum, ensuring the integrity of the dikes is job No. 1 in that area.

**Mr. Wishart:** I appreciate the minister's comments, and I would like to commend the department for actually working on the Assiniboine River dikes when there's not a flood. The locals tell me that that's never happened before. It always seems to be a flood year when we try to work on them, which is absolutely the worst year to work on them. They're usually in a semi-liquid form by that year anyway, so it is actually good timing to try and deal with some of the issues.

And I would encourage the minister and his staff to look at some of the Dutch examples on how to deal with rivers that are perched river systems, as the minister indicated, that are above ground level. The Dutch have been doing this for a long time. They have a philosophy or approach that they call Room for the River, which is a tiered, flood-plain approach within the river channel, and which may actually work very well in this situation. And you don't have to move both dikes. You might have to move one dike in some places to accommodate that, but I think it might prove to be the only really viable long-term solution.

We just seem to keep going up and up and up, and as the minister's pointed out, when you don't run the river at full capacity regularly, it does tend to silt, and there is not a great deal that can be done to do—to deal with that. That river—you talk about dredging and then you sit down and figure out how much silt is being moved down—how many tonnes of silt are being moved down that river annually, you quickly realize that that's just not a viable option, that the volumes are just beyond the scale of any potential dredging.

I wanted to move on just briefly, and the minister touched upon it earlier, the problem with drainage enforcement—and Saskatchewan has issues and Manitoba has it—and we've had quite a number of cases go to court, and, certainly, some of them

probably deserve to go there but every now and then we hear about one where someone—in this case it's the widow of the person involved—is being dragged into court, and not only did she not do the work, he didn't do the work. The farm was purchased with an issue on it, apparently, that was not disclosed at the time, and there—she's ending up in court over a drainage licence—or it was licensed but apparently not adequately covered under the system. We're not quite sure where the fallout was.

I would encourage the minister, and I know this offer has been made to the department before, to look at arbitration rather than court cases. Most of these people that are very willing to go through an arbitration process. It's never been offered. It would be a much more low-cost solution, and frankly I think the minister would be able to get the compensation, off-stream storage and things like that that people would be co-operative on, far more than being dragged through court, because the minute it gets into court, lawyers get involved and options become much more limited. So I wonder if this minister could commit to have a look at the option of arbitration in some of these cases rather than litigation.

**Mr. Ashton:** The actual enforcement, of course, is Conservation and Water Stewardship. I will certainly relate the suggestion to the minister. The member may want to raise it during the Estimates. It's certainly a—I think it an interesting idea.

The key issue to my mind is twofold: one is having sufficient enforcement consequences for illegal drainage, and, you know, I don't think that's an issue. But it does raise the issue of restoration, and that's often the difficulty. You can—you know, if and when you nail someone in terms of the illegal drainage, the damage is done for downstream and surrounding landowners. So it's an interesting concept. I do know there are various judicially assisted processes, and we have some of which our department goes through which do bring in arbitration model through—you know, through a judge. So there are some ideas, so I think it's worthwhile.

Very quickly, on the Dutch side, it's interesting; I just met with the Dutch ambassador. He offered their experience on water, and we did point out—my deputy pointed out that much of the initial work that was done on, you know, the floodway and many of the other elements of our current flood system that we take a lot of pride in, was done by

Dutch-Canadian engineers, Cass-Edward Kuiper and Cass Booy, both Dutch. So we—so, in a way, we can learn from the Dutch and maybe they can take some pride in the Dutch-Canadian connection here.

So the member's quite correct, and I do want to stress, by the way, that even though we have a reputation, I think, worldwide now, because of a lot of what we've done—and I hear this all the time, you know, in terms of our engineers. You know, we are the pre-eminent flood jurisdiction. You may have seen, you know, with our new flood forecaster, you know, he told the story publicly as to, sort of, why he came—Dr. Unduche—to Manitoba. He googled flood and—

**An Honourable Member:** What came up?

**Mr. Ashton:** What came up? Manitoba. Yes. So floods are us.

But we still are learning. We still are—we also—by the way, I should mention, I think, a very significant capacity on the emergency response side. We've worked with jurisdictions as far, you know, as apart as the Czech Republic. They have a lot of experience with flooding.

EMO has been—has an ongoing relationship, and, actually, with the Philippines. In fact, a lot of people aren't aware of this but, in fact, Lee Spencer and a delegation from EMO were actually in the Philippines. We've had a number of technical exchange missions in the—some of the hardest hit areas just months before, you know, the devastating impact of what happened there with the—you know, the massive destruction that took place from that disaster. So we do have a fair amount of experience, and we're—we both are prepared to share it and to learn from it.

In fact, we're in discussions right now, and certainly the member for Tyndall Park (Mr. Marcelino) is part of that, as well, with the Philippines, because we also are offering any which way we can to be part of their ongoing recovery and emergency planning for the future, because, again, we do have a lot of experience with this, and, you know, we look forward to being able to assist the Philippines. So that international connection is pretty significant for all aspects of this department.

**Mr. Wishart:** I certainly appreciate the minister's comments and answers related to that, and I would encourage him to continue working with the Dutch. They've certainly had to learn their share of lessons the hard way over the years, and they seem to have

retained some lesson from them. Sometimes I think we—it doesn't happen—seem to happen as often here, and, as such, we forget more quickly in the period of time in between. Happens fairly frequently for them, so they—it's certainly front and centre, and they've had some lessons.

But I did want to touch briefly on the rail safety issue. Of course, I also represent the city of Portage, and, in the city, it's the last place the two major rail lines touch before they get to the west coast, so we certainly see a lot of traffic. Especially, we've seen an awful increase in the oil tankers, and I encourage the minister to develop a good system to work with the city and the RM in terms of informing them on the risk assessments in there, and hopefully we never have an example like occurred in Lac-Mégantic in Quebec. Of course, we don't have any hills, so I don't think the train will roll away on us.

\* (11:20)

But, we also have a couple of other sites that we're kind of worried about, including west of Portage where it crosses a diversion and then goes on—the railways cross a diversion and go on. There is a fertilizer storage there. It also includes a very large anhydrous ammonia facility which is quite close to the rail lines, and some of the constituents around there have expressed considerable concern about whether that has been planned for through EMO. If we had any damage to that structure it would be—of course, prevailing winds there are to the northwest which would bring any leakage from that site right down on No. 1 Highway at an important juncture. I wondered if that has been part of emergency planning and if we have a contingency plan specific to that.

**Mr. Ashton:** Well, I appreciate the member raising the issue of other hazardous commodities, because I always stress when we talk about crude oil it's not the only hazardous commodity. I know the federal government is increasingly recognizing it is a hazardous good, but every day through populated areas, rural areas, there are all sorts of other hazardous commodities. Fertilizer is one of them and, you know, chlorine—I could run through the list, any one of which could create a significant risk if there was an unforeseen circumstance.

As I stressed before, every municipality does have an emergency plan, and we're certainly making sure that we are working with the municipalities through all of our normal planning exercises and have contacts to ensure that there's a full recognition

of all hazards. And what I think is particularly important to note here—and I think the member is on to an important aspect that includes not only natural disasters which, of course, you know, people traditionally think of. And that includes Manitoba, not just floods, obviously, the forest fires, includes tornadoes. You know, the level 5 tornado at Eli, a good example of how we have to be increasingly concerned about tornadoes, not that they're new to Manitoba, but the severity and the frequency has increased with, you know, climate change over the last number of years.

So there are numerous natural disasters, but we also have to be cognizant of the complexity of potential risk on hazardous goods both in terms of existing sites, you know, storage sites, and also in terms of the transportations sites. So I'll undertake to make sure that we're—we follow up in terms of the specific sites. I appreciate it.

I do want to assure the member again that—and I know he knows this, but perhaps more to his constituents—all hazard planning is really a key part of what we're dealing with, as is, by the way—one of the things I was going to add is continuity. Ironically, going back to Y2K, which was probably the—turned out to be the biggest non-event in history—*[interjection]*—oh, yeah—but probably the best planning, you know, exercise. A lot of the experience came out of that was a recognition of how vulnerable a lot of critical infrastructure can be. I mean, with its—when I say critical infrastructure we're talking hospitals, for example, what happens in terms of food, you know, et cetera. And there were some very good experience come out of the planning for that that got people to realize that you could end up with a cascading effect. And there's been subsequent exercises to do with potential for, you know, impacts of pandemics on critical facilities.

So, you know, ironically, in a way, starting in that period—and there've been various other events. You know, 9/11 had some impact on the recognition. You could also have terrorism. You know, the degree of planning right now is light years ahead of where it was. But it is ever-evolving, and I'll make sure we follow up on the specific sites the member's talking about that I appreciate him raising.

**Mr. Reg Helwer (Brandon West):** Following up on the question from the member for La Verendrye (Mr. Smook), there was some discussion of FleetNet and emergency communications. I think I heard the minister say that they're looking at changing,

upgrading the system, and the current provider, I believe, is MTS and Motorola equipment, and can you give me a timeline on when we're looking at upgrading or changing the system?

**Mr. Ashton:** The lead is actually Jobs and the Economy. They deal with the telecommunications side, but I can say that we are in discussions. I certainly know there are ongoing discussions with MTS, and the goal, again, is to get a updated FleetNet system because it is a critical one. One of the key issues, and I mentioned briefly in the previous question, that if you talk to emergency service providers, one of the key issues is actually to deal with ensuring that there's seamless communication, same platform. So, but learning from experience, that was one of the issues with 9/11. I mean, the various different elements in emergency response couldn't communicate. There wasn't a common platform. And, you know, that was a huge issue across the world. After that, people recognized that you, at a minimum, you got to make sure your emergency service providers can communicate with each other.

So we're anticipating some developments on this probably next period of time. You know, again, the goal is to get an updated system.

**Mr. Helwer:** Sure, so I imagine I have to go to Jobs and the Economy to ask much about it. But perhaps the minister would know if we expect to continue with the current providers, or is it something that's going to go to tender, or what stage are we at in the process?

**Mr. Ashton:** There will be an RFP process. So it would again depend on the potential service providers and, again, in terms of the timing of that, that Jobs and the Economy's the lead on that.

**Mr. Helwer:** So going back to a question we started on the other day, in terms of tenders, kind of on the same topic, the minister was reluctant to talk about the Auditor General's report and directed me to another venue. So we will certainly continue that, but we're also going to have to, I think, do a little more analysis of this.

So, in order to do that, we will need some information, if we can, from the department, in terms of whether the minister can provide copies of all contracts of the department and any of the special operating agencies that would fall under MIT's jurisdiction relating to under-untendered contracts. And the AG used a number of a thousand dollars, so anything over a thousand dollars for untendered

contracts for fiscal years 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13. There's a lot of work to be done here, obviously, and we'd like to start that work.

Is it possible to be provided with that information?

**Mr. Ashton:** That is actually all disclosed for the LBIS, and I want to indicate it's not a question of being reluctant to discuss the OAG. It struck me that some of the questions were really more Public Accounts, and if they do go to Public Accounts, we would be there at Public Accounts and we'd be in a position to provide, you know, detailed information in terms of that. But this information is available on LBIS.

I want to stress, as well, too, that I did identify yesterday—ran it through some detailed information, the kind of categories that we look at. The primary category we deal with when we go to untendered situations, the vast bulk of what we're dealing with is either where you have a pre-qualified list of service providers, and that pre-qualification ensures a fair system that also protects the financial interests of the Province. So, you know—and a lot of that, by the way, is if you're looking at the type of contracts—you know, if you go to a tender system, in some cases, the big issue's delay. So, you know, we have to make sure the work is done. So we do the prep work. And the other one is emergency situations. You have a boiler goes out, you got to get someone in right away. That does happen.

\*(11:30)

But, certainly, you know, outside of the flood, I outlined yesterday, for example, our buildings, 90 per cent-plus of our contracts are done through tendering, and it's only through exceptional circumstances that we go otherwise. That would've been a higher number of contracts during the flood and, again, we just don't have the time to do an RFP during a flood. We worked with established contractors. We actually feel that the prices we're able to get were fair and reflected what we would have received in a tender situation. I want to stress, by the way, too, we have a lot of experience with tendering, so we do know, even when we have to go outside of tendering, what the specific cost factors are and—you know, so we do reflect that end.

And, actually, through the tendering process, we—you know, I want to stress again that we have been able—bring that—quite a few projects in under budget. You know, you never hear about the ones

that are under budget, but I could—I even have a list if the member's interested. It sort of—you know, maybe I'll read it into the record sometime, but it—there's some—been some examples of some significant cost savings, and I, by the way, I give credit to the department on managing the projects, but also the industry. You know, the providers that are out there, it's a—there's been a lot of additional work. There's going to be even more. There's—but it shows there's a fairly competitive situation.

So that's why our—outside of some, you know, some exceptional circumstances, our primary focus in MIT is on the tender system.

**Mr. Helwer:** Well, I would be, indeed, be interested and listen. I don't want to take up committee time to do it, so perhaps we can do that at another time if the minister wants to communicate to us the projects that he feels have gone exceptionally well, like the ones that have come in under tender and under budget. Always interested in things that are done well.

So that's—as I said, don't want to take up committee—this Estimates time to do that, but we can do it at another time and we'll figure out how that can happen, I guess.

**Mr. Ashton:** Maybe at Public Accounts.

**Hon. Jon Gerrard (River Heights):** Yes. My first question really is a follow-up on some that Ian Wishart was asking on the region along the Assiniboine River from Portage la Prairie to Winnipeg.

I think it's pretty clear that there needs to be a formal plan there for, you know, how things are managed during a flood and where dikes will be and where they won't be and so on. When will the minister be able to present such a formal plan?

**Mr. Ashton:** Yes, it's being done right now by KGS, and we're anticipating preliminary report later on this year. And I do want to, again, acknowledge I know the member knows that area well, and we are—it's going to be a comprehensive review of all of the key elements. We talked about the Assiniboine dikes earlier, that's one component, but it's a broader based review of what the situation is in terms of flooding, flood mitigation. But, again, it'll be in later this year.

**Mr. Gerrard:** Yes. The—I mean, in terms of planning along a river like that, and the Assiniboine is a good example, that there are areas where there are dikes and there's areas where the water is let flow

out onto farmland. And that the experience in, for example, rivers along Massachusetts, it's often much more cost-effective to allow some areas where the water can spread out onto farmland than to build up dikes in those areas, for a number of reasons, but one being that, downstream, if you build up dikes there and you keep the river in a narrow channel, then you're going to have more flow going directly downstream and you're going to have to have higher dikes further downstream.

And, you know, I say this because it was pretty apparent that there are some spots along the Assiniboine River in 2011 where the level was pretty close further downstream to houses and you were having to have significant numbers of houses put up major numbers of sandbags and so on.

So what—will the plan include, you know, a recognition that there's areas where the water will flow out of—over farmland?

**Mr. Ashton:** Yes, and it again is—the suggestion that the member is putting forward is something that is very much on the agenda both in this area and elsewhere.

**Mr. Gerrard:** In terms of the plan, one of the things that's been a problem in downstream from Lake of the Prairies is that there was not ahead of time an approach that would recognize that in some instances where farmers' fields are flooded, there should be some compensation. Will that be part of this plan?

**Mr. Ashton:** And more broadly, it's something we're also looking at. Generally—I raised this earlier—it's something that is being looked at in the States. I've met with some municipal leaders in terms of that. It's an interesting concept. I mean, it's more complicated than it appears on first notice, because you obviously have to get into what kind of compensation, you know, and that's—the devil's always in the detail. But I think the member's pointed to, you know, the fact that there's different ways of doing storage.

But one of the—you know, the idea of doing storage on private land with compensation has to be looked at. And it's particularly applicable in the Assiniboine valley, because in the Assiniboine valley, and this was pointed out earlier, you—even the dikes are actually on private land. You know, you have a lot of private land. You don't have a lot of Crown land, you know, that you can use for—you know, for storage. And there are many other areas in the province, again, where it's very much the same

sort of circumstance. So we will indeed be looking at it.

And one of the things that we're also hoping through this is that there'll be a clear recognition at the federal level. The irony with a lot of this, by the way, is the federal government's in for 90 per cent of, you know, the cost sharing through DFA. The member knows that from his former role in— you know, as federal minister. And—but—getting the connection to mitigation and, dare I say, if it's something as creative as this kind of approach, it's more difficult. And so—and, you know, if we're able to limit damage from floods, the biggest beneficiary outside of the Manitobans who aren't flooded, obviously—which is the No. 1 concern—is actually the federal government.

And we're still trying to get a commitment to a national mitigation strategy that's strategic, doesn't come out of existing infrastructure and recognizes the full cost benefit. And the full cost benefit should include not only damage, but if we are able to use innovative approaches such as this to avoid damage, to my mind, on a business-case scenario, there should be real consideration for some sort of a cost share with the federal government to make it feasible.

So we're hoping there'll be a broader discussion on this, and we think, actually, that that kind of approach nationally would be very beneficial both in terms of flood protection, but would actually, quite frankly, save Canadians money. And given some of the challenges all governments are under, we think this kind of approach could be a—I—you know, very creative, and could dramatically change the way we deal floods. So the member raises a very important point, and we are looking at it, yes.

**Mr. Gerrard:** The point was that this would be a really good time to set the framework for that when one is doing the plan, rather than, you know, do the plan in other areas and then address this later on, as has sort of happened upstream along the Assiniboine below the Lake of the Prairies.

My next question deals with when are we going to see the plan in terms of for people in Lake St. Martin and Little Saskatchewan and Dauphin River, in terms of—and know when they will be back in their homes in their communities?

**Mr. Ashton:** First of all, the technical work on the two outlets is proceeding. I know that's not the immediate, you know, focus of the question, but I

want to stress that. We've also clearly earmarked the funding, and I want to stress the—you know, the significance that the work we did during the flood had on Lake St. Martin and Lake Manitoba, and how clearly that's a key focus for us in terms of the ongoing resolution on what's happening.

\* (11:40)

In terms of the current situation, in terms of evacuees and in terms of with the communities, as the member knows, we did set aside a hundred million dollars last fiscal year for any and all of the discussions that are ongoing in regards to the four communities. We are making significant progress on a number of fronts. The key issue here, by the way, as the member knows—and I do acknowledge, by the way, the degree to which he has taken the time to visit the communities. He knows from his discussions with the communities what the challenge is. In many cases there just simply wasn't the housing for people to go back to. People were in housing that even prior to the flood had significant water-based issues: mold, you know, basements in, you know, a very high water table. We had situations where people could simply not go back to their home community.

We've been in discussions—and, again, I want to acknowledge again where, you know, this is government relationships we're dealing with here. In many cases we're talking altered locations on reserve. We're talking about conversion to reserve, that's important. There's been a number of leadership changes, so some changes in direction at the First Nations level. But we are making some significant progress on generally agreed upon principles in terms of land reallocation. And, of course, as the member knows, we did put in place on an interim basis housing at the old Gypsumville radar site and we are now actually moving a lot of that housing into some of the affected communities. So we are making significant progress.

I want to add another item too. I know the committee's also raised issues in regards to interim temporary flood protection and there's an interest in establishing a regional EOC under the auspices of the Interlake Tribal Council, and we're certainly seriously looking at that. And I know our lead minister on this file, being the Minister of Aboriginal and Northern Affairs (Mr. Robinson), is also in contact with his federal counterpart, so we're making significant progress. I'm hoping to see in this upcoming year some specific situations where we're

going to see people actually moving back. As I indicated, there are some houses that have been allocated to members of the community. So that will take place. And our goal is to get permanent flood protection that will ensure that this kind of situation will not happen again, you know, the 2011 scenario, but more important than that, to make sure that when people are back home they're in flood-protected areas and housing that is decent housing and that they don't have to go through this again. It's been a very traumatic time for all the communities impacted.

By the way, I want to stress, too, there are other communities, Peguis, a similar situation. But the fact that that case goes back to 2009—and a lot of this comes down to the reserve system itself. I mean, a lot of the land that reserves sit on is some of the most flood-prone marginal land anywhere in Manitoba, and what we're doing in the case of these communities is actually we're changing history. We're actually doing, to my mind, what should have happened, you know, at the time of the signing of the treaties and the establishment of the reserves, which is getting people in to situations where it's land that's not chronically flooded. And I think there's a very significant amount of money that's been put aside. There's going to be some significant progress this year because we've had some very good discussions, and I want to acknowledge the federal government has been very supportive. The minister has been very engaged directly on this. So I think the member's going to see some significant movement.

And, again, when people move back, this is not a temporary situation. We're looking at getting people back on a permanent basis. That's what they've wanted, that's what they've needed for decades and that's what they're going to get.

**Mr. Gerrard:** Just a clarification. The \$100 million which was set aside that may be spent, you know, this coming fiscal year or the year after or whenever, I presume. Is that the case? This is a—not a normal sort of budget where the dollars lapse at the end of the fiscal year.

**Mr. Ashton:** That's correct, because given the complexity for First Nations, various different issues and the degree to which, you know, it's going to be on a multi-year solution, we've identified that—the need to make sure the money was there—it is. And, by the way, that's the provincial element. This is going to be cost shared with the federal government. And, so, it will be there on a multi-year basis, and we want to make sure that finance wasn't the issue.

And, as the member knows, I mean, we, you know, like every government, we have to make tough decisions on the finance side. We do have to a target, obviously, to balance the various elements to our fiscal policy. But, the clear message, by putting \$100 million aside, is that this is an absolute priority for our government, and we want to make sure that lack of finance was not the issue. The finances have been set aside. And, again, with the cost-sharing from the federal government, this is—this would be a very significant step towards a permanent solution there.

And, quite frankly, if you add in the fact that we've already allocated \$250 million, and the significant priority for that is the ability to turn the temporary outlet, the emergency outlet, from Lake St. Martin into a permanent outlet, there is going to be a very significant investment in correcting—to my mind, which is this—a historically unfair situation for those communities. Let's not forget that since the early 1960s, since '61-62, there was the Fairford outlet but no outlet out of Lake St. Martin. And the member knows this so I'm not—you know, I know he's more than aware of this. It was looked at in '78, it was rejected at the time—should have been built. We built the first artificial outlet. We did it in full consultation with all First Nations. We dropped the level on the flood in 2000 and very significantly. But our goal is to get permanent flood protection and to get people back into the communities in flood-protected areas with flood-protected houses.

**Mr. Gerrard:** One brief clarification on the \$100 million that the minister referred to the funding for the outlet, is that funding to produce the outlet part of that \$100 million, or is the \$100 million just for ensuring that there's homes and livable communities for people in Lake St. Martin and Little Saskatchewan and Dauphin River? And does it include Peguis too?

**Mr. Ashton:** The \$100 million refers to four Lake St. Martin communities, and it does not include capital expenditures for flood mitigation.

I can say that the First Nations themselves have put forward a proposal for an emergency operations centre. It's under the auspices of the Interlake tribal council. They've indicated that they would be open to using that fund—you know, I want to say, that fund—but, you know, that allocation, for that purpose. There's been no decision on that. It's early stages of discussion, although, you know, certainly they have raised, I think, a legitimate concern about ensuring

that there's adequate ability to respond to any kind of flood situations prior to the permanent mitigation.

But the broader capital is something that will be done under our broader core infrastructure plan. It wouldn't come out of the \$100 million. And if you look at \$100 million cost-shared by the federal government, we're looking in excess of \$200 million that would go a long way to resolving all of these issues: land allocation, housing, you also need some core infrastructure, you know, to serve those houses. So, we—our main focus with that allocation is really on the housing and infrastructure, and the element of getting them back home. The flood stuff—the flood mitigation will be done through the broader provincial capital investment.

And on Peguis—just a quick update on Peguis. There—you know, we did a lot of the technical work, the LiDAR surveying, we identified a lot of the issues. There's been some progress on movement of flood-impacted homes. I just met with Chief Hudson recently. Originally, the federal government had agreed and are in the process of moving 75 homes. My understanding is there's some additional homes that have been added. But there's still a lot flood mitigation needs to take place in Peguis itself.

\* (11:50)

Again, we've been pushing the federal government to recognize that First Nations are impacted dramatically during floods, and there needs to be a real focus by the federal government on investments in flood mitigation on reserve. We're doing our bit with broader provincial investments, but they can make a real difference.

In Peguis, for example, through—they have a lot of low-level crossings, internal infrastructure. There's some—you know, we're in the tens of millions of dollars in terms investments, but the option with Peguis and any other of the affected communities is the federal government will be paying a lot more. We all will, and the communities themselves will primarily.

The federal government is already now up to \$90 million-plus for evacuation costs from the 2011 flood. And the logic there is, you know, with all the trauma it causes for people, is— isn't there a better use for \$90 million and wouldn't that use be—start with flood mitigation? And that's our argument. I'm not being overly critical of the federal government. There's some progress on the Lake St. Martin file. We still have a long way to go before we

have a decent system for First Nations in terms of flood protection, and the Province is part of the solution, but we need the feds to be a significant part of it.

**Mr. Gerrard:** To follow up and then a request. Follow-up is in relationship to the material that I asked for yesterday, and I presume you don't have it yet, but hopefully you will have it for Monday. I just want to make sure it's not forgotten.

But I would also ask for two other lists. In the five-year infrastructure plan there is a number for the amount of dollars spent on flood infrastructure in the 2013-14 year, the year just completed, and for the flood infrastructure in the 2014-15 year. Could the minister provide a list of the projects which were done last year, and the list of the projects to be completed this year?

**Mr. Ashton:** I most definitely haven't forgotten the previous request. It was a bit of a short turnaround with, you know, Estimates finishing at 5 and starting this morning. That would—be more than happy to provide that information, and we'll try and get it by Monday, yes.

**Mr. Helwer:** Over the last couple years, I've learned a little bit about proposition 27. Still have lots more to learn, but I'm interested in the minister's description of how it works. Is it something that is administered by EMO or accessed by EMO, and how does it function in, I guess in emergency situations when it's mostly used, if that's correct?

**Mr. Ashton:** Well there may be sometimes where it's accessed in terms of disasters we deal with directly, but there's also forest fires, Conservation's the lead department. As well what it does is it provides a budget item that, you know, provides funding for, you know, the needs that can arise out of that—any of those kind of situations.

Of course, we don't know in advance in any given year what's going to happen. It varies quite a bit. Over the last number of years we've had very significant forest fires in some years, less so in others, floods in some years, less so in others. You know, there's—it varies. But the—you need a budget item that reflects that, and you know, this reflects kind of a broader experience over a period of time. Of course, in a major flood like 2011, our total cost now is \$1.2 billion and counting in terms of all costs—not, of course, all—you know, all of which would come under this line item. But, you know, you—in exceptional years you provide exceptional

funding and we did do it. So that's the broader catch-all in this particular case. You know, there has to be some line item that reflects the fact that—quite frankly, even in a good year, to restore impacts. It was a good year, like, you know, relatively non-eventful year, we often get, you know, spot storms that impact in certain municipalities. You know, we've had tornadoes, although tornadoes, by the way, are generally insurable. So there's often a lot more damage than is reflected in what—in terms of compensation.

You know, it's interesting on how—I'm still trying to figure out how tornadoes are insurable and floods, generally, aren't. One's an act of God and one isn't. But you'd have to ask the insurance industry about that, because there's still really no logic to that at all other than the fact that we know that we get a flood, we're in it in a major way. You get a tornado, and the insurance industry actually absorbs most of the impact.

**Mr. Helwer:** So is it administered by EMO, or who administers this proposition 27 and where does it show—whose budget does it show up as a line item?

**Mr. Ashton:** It's MIT, but EMO is now—is part of MIT, so it's this department, yes.

**Mr. Helwer:** So on an average year, which is what we're going into this year, presumably, until we find out different—what type of an allocation do you usually make into that?

**Mr. Ashton:** Yes, I'm not sure this is an average year, the way the weather's been thus far. I hope it's not an average year; I hope it's not the new normal. And, yes, you know, essentially, if you look at the breakout, you can look at some of the expenditures we've identified on, I think, page 1, you know, 136 in terms of 27. And you can look at last year, the experience; this year, the projected experience. You know, we're still dealing with 2011, by the way. I mean, that—I don't know if the member's aware of that, but it's a significant impact. But probably the most significant shift is we're—you know, less 2011 impacts.

And, again, as it indicates, this is just—this is from historical averages. It has gone up over the last number of years, and that's not something that should be a surprise. I think this year we're calling it global warming—certainly not the last few months, but climate change is still very much a reality. You talk to any of the scientists that we're dealing with, and there's greater severity of weather. And that means,

actually, throughout the world, anyone, whether it's insurers or, you know, anyone with that—a mandate to deal with natural disasters or emergencies, they're all predicating a significant shift.

It means two things: (1) is, you know, what might have been a one-in-a-hundred-year flood is—you know, is probably more frequent than one in a hundred years in any of our benchmarks, so we have to work—we have to be more prepared on the mitigation side. But the flip side is also on the payout side. So that's what this reflects. It's gone up over the last number of years and, quite frankly, we're going to probably see that trend accelerate over the next few years.

**Mr. Helwer:** So, when you're coming up with a number to put in there, obviously it's a—I don't know what else to call it other than a plug number, because it's not—you don't what's going to happen. What are some of the things that go into determining what that number would be? Obviously, you've got some expectations of a fire possibility or a flood, new flood forecaster, other things that might—that you might use to come up with that number.

**Mr. Ashton:** Well, a bunch is prepared well in advance of our flood outlook. We've had one outlook currently. We have a second that'll be coming out imminently. It's certainly well ahead of any of our sense of what might happen in terms of forest fires. And we—you know, we might have an early indication of moisture levels, but, you know, forest fire—water of a lake can shift quite rapidly. So it really is—it's a historic average. It doesn't really take into account current issues.

And much of our budget, as the member's probably aware, I mean, the budget preparation starts back in October. By the time it gets to the Legislature—it certainly goes to print, you know, a short time before, but a lot of these more routine issues are dealt with, you know, early on. And, you know, in terms of the breakdown of the \$28 million, it's perhaps a bit of assistance to that. That's assuming forest fires, \$15 million; DFA, \$8 million; and we have a further \$5 million, you know, which is unallocated. Again, that's the overall experience. So, you know, forest fires are a fairly consistent element of it. Floods, you know, vary quite a bit. I want to say floods—DFA doesn't just cover floods. It could be severe wind events, tornados—again, a lot of that's done through insurance.

\* (12:00)

So that's the breakdown. It's mostly historic. We don't really have the ability, by the time the budget's prepared, to predict, and, quite frankly, even with a full forecast on the flood our experience is you don't really know on the actual impacts 'til it happens, even if you have some sense of the relative risk.

**Mr. Helwer:** In terms of things like water bombers, occasionally they're lent out to other provinces or districts, and how does—how do we go about recapturing that? Is it done through DFA or through other provinces or is that—I imagine it's not something that's simple.

**Mr. Ashton:** I can say, as a former minister of Conservation, it's done through Conservation. We were responsible for the capital, major investment, which was very significant, and there's a cost recovery. It's a very good program, and we're looking at that, by the way, in terms of floods, flood equipment, getting an equivalent voice for a national meeting. I know the federal government is very interested in this because we also have a lot of flood-fighting equipment and expertise that we think could be mobilized across the country. And I know in the case of major disasters we did offer that in terms of Alberta, and so we're looking at the same model on our side, but Conservation administers the other side.

**Mr. Helwer:** Grain transportation has been an issue, and, obviously, moving the product is a challenge both by rail and by truck, and there's been some discussion of weight restrictions and some flexibilities. Can the minister give me an idea of how he plans to deal with that? Is it a one-time application or are we looking at delaying some of the restrictions coming on the highways as we move into spring in order to make sure we can get the grain off the farm to the transport points on rail?

**Mr. Ashton:** Well, it's a very timely question. First of all, on the broader issue of grain, we met earlier this week with CP CEO Hunter Harrison and with OmniTRAX. We're meeting with Claude Mongeau, the CEO of CN, on Monday. We basically put forward a very clear vision for the province in terms of grain transportation. It's a crisis level. One of the key focuses we've looked at, in addition to ways of enhancing capacity through the Port of Churchill is the fact that the majority of our grain actually traditionally goes through Thunder Bay. And we had a very good meeting with CP. The CEO for CP did indicate his awareness of the issue, and they are working on getting trains moving into Thunder Bay

as we speak. We've had contacts at the staff level with CN and we're going to follow that up on Monday.

So we're anticipating a very significant movement of grain to Thunder Bay, and that is very timely because there may be a slightly later opening of the season. But Thunder Bay is open 200 days a year. It will be open probably April, May, you know, so there's some significant advantages there. I'm also advised too that the latest information is they're also looking to putting ice breakers in, which again is something that would expand the season.

Now, in terms of getting the grain onto rail, what we've done is we will—in fact, we'll be announcing this—is we are going to be treating it as an essential commodity and providing the ability for this circumstance only, I want to stress that, because, you know, we are—we also have to protect the infrastructure, the ability for the grain sector to—individual producers to go up to the 90 per cent load restriction for the essential purpose of transporting the grain. Basically, that would then give them the ability to move it 24-7, basically, without a permit. And I want to stress again, that's not for any other purpose, but it is for this purpose, and that's important because the real problem here is the longer it sits in the bins or in field, in some cases, the more it's a problem.

I should also indicate that we have also been developing contingency plans for areas where there might be flooding. I mean, we—there's always some degree of flooding in the province. It—the movement to Thunder Bay is critical because we were at 112 per cent elevator capacity, which has been—you know, storage capacity, which has been a real challenge.

On a broader sense, by the way—and I won't get into, you know, too much detail unless the member wants to, but we have flagged a lot of this through the grain—or the freight services review that took place a number of years ago with the federal government. I'll be very up front; we have a pretty decent working relationship with Minister Ritz right now on this issue, but we were somewhat disappointed in the review.

One of the problems, by the way, is that shippers tend to have—I often call it a duopoly, I guess my—put my economist hat on, but, you know, a lot of people remind me, in many cases, it's really two monopolies, you know, in the sense, you know, outside of maybe 10 per cent of producers that have

a choice between CN and CP within a reasonable distance, most areas of the province it's one or the other. And there are a handful of short lines. What it means is, you know, with the current system, there's been a lot of concern about shippers' abilities to, first of all, get cars and also to get the kind of service allocation that they need. And, you know, I—to be fair to the railroads, I mean, it was a record crop year, but a lot of the issues on the other side have been ongoing for many years.

And so we're looking at the broader element. I'm not sure what the federal government's on in terms of their—at now in terms of their emergency legislation. I know they had talked about putting it in; we haven't heard yet in terms of that.

Our focus, though, is short-term: get the grain aboard. And I want to note that our Cabinet committee I co-chair with the Minister of Agriculture—the minister responsible for local government and the Minister for Jobs and Economy are also part of it—I do think we've seen some significant progress just even in the time we've been working on it. And, again, I do want to thank the CEO of CP. It was a good meeting, and I look forward to the meeting on Monday with CN, but we're going to do our bit as well. We're not just talking rail; we're looking at our highway system and we're going to provide the emergency flexibility that producers need.

Actually, what—one other thing I'm also advised, too, which is important, we basically have changed this—the way we deal with spring restrictions to the point that we can now do it on the basis of science, based on actual climate experience. We've changed the system so there's a quicker turnaround. So, for example, we're probably not looking—and this is a comment on the weather here; this may be depressing in a lot of ways but not to producers trying to move grain. Normally we might be looking at restrictions March 11th, we're now basically looking more generally on March 28th, so a 17-day difference. And we'll review it again next week because if the weather continues to be as cold as it is, who knows? It might—we might be into April as well. So that's not necessarily seen as good news for most Manitobans, but for some people it is. Yes. By the way, just in case people wonder if it's only this year, it was April 10th last year.

So we've actually, notwithstanding this year—people remember this as the bad winter, the cold winter—I'll tell you, it's good for two things. One is

delays in bringing the spring restrictions in, and the second is for the winter roads. And, actually, I'll be up front, we are having a very good winter road season. It wasn't a great freeze-up, but many years in the province now we're having really good success on this end of the season, and we've actually put some additional resources on the maintenance to keep that going.

So there are some benefits to cold winters. I mentioned two of them. If the members opposite have any ideas about additional ones, please let me know, because, you know, I think we're all getting fatigued. Time to move on to spring, but it is good news to some of us.

\*(12:10)

**Mr. Helwer:** Yes, winter's not quite ready to give up just yet. And, as the minister did say, there are some good things in circumstances where we have some issues, obviously, winter roads and the grain as well.

In terms of the emergency availability to move grain off the farm with 90 per cent restrictions, is there a window of when that would end, or it's just at the discretion of the government?

**Mr. Ashton:** Yes, we're going to evaluate it, but it's—basically there's no set end date right now. Yes, and the issue here, of course, is the spring road restrictions. I'm reminded again, too, once the restrictions are up it's not an issue. It really is that narrow window, and I'll be very up front of what our concern is. We expressed this to the railroads. But we're making sure we do our bit. There's a real concern out there, and sort of, perhaps until some of the developments this week that you don't want grain in storage going into a new crop season. When I say new crop, you know, once you get the crop off you don't want to compound it, and our concern has always been basically to ensure that we can get as much movement as possible.

I also want to say that our Minister of Agriculture has had a good working relationship with other western provinces where we're in a similar situation. However, Manitoba's focus has been a bit different because our grain goes south and east. Some of it goes west. So we're—we—one of the issues we have raised to make sure that there's a reasonable allocation of car movements across the system, you know, certainly Alberta, Saskatchewan, we would hope they would receive, you know, fair consideration, but we've been very active.

And by the way, just a reminder and remind us as well here, that the road restrictions in spring usually last about eight weeks or to May 31st. You know, it's the general season. So the key thing we're doing for the movement of grain is on an emergency basis here, recognizing an essential commodity and allowing movement without a permit up to 90 per cent load restrictions during that period. Once the spring restrictions come off, it's not an issue.

**Mr. Helwer:** I think during his opening statement the minister had mentioned some weather statements and—sorry, weather stations—that are being erected around the province. Is that—which area does that belong to in the department and who will have access to these stations? Are they publicly accessed? Is it something you can see on the WeatherBug or—listed as a station for reporting or how will they be accessed?

**Mr. Ashton:** Straightforward answer is all across the province. We're working with MAFRI on this. This has advantages both for the ag side as well as the emergency response side, and of our experience with 2009, 2011 was a key part of that. But, more broadly, I think that's been a real area of interest for the ag community as well. This kind of information is extremely useful. And you know, if it's—anyone that's weather sensitive, it's this department and the ag sector. So yes, it's going to be throughout the province. And again, you need the model, you need the systems, you need the human side, as well, the people that can interpret the data. But we will have both enhanced data and enhanced capacity to deal with that and we're also going to have an enhanced team. We've got 12 people in our flood forecasting team, so this—it's all part of our increased focus on the forecasting system.

**Mr. Helwer:** So is that something that the public will access through your website, then, or through other public sites? How would we see some of the forecasting from these stations—or, not forecasting, I guess, but weather evaluations from what's happening there now.

**Mr. Ashton:** Actually, I can certainly indicate from our side, the information will go directly to our forecasting team. I can't talk for the ag side how that will be—that information will be used. But certainly it does open up some possibilities of enhanced public information in terms of that. So I'll perhaps take it under advisement, not being directly responsible for the ag side.

But, you know, generally speaking, again, the more information that's available to our staff, the better. And however it's transmitted on the ag side, it will make a difference there, as well, whether it's directly to the public or even through ag staff because, again, it—that kind of information is very important for many producers in terms of, you know, crop planning, you know, planning what kind of crops, you know, when to plant them, et cetera. And certainly I appreciate that perspective as we see on the EMO side, the damage side, you know, in many years there's a very big difference between, you know, what you can plant and having, you know—you're never going to get exact one hundred per cent weather information, obviously, in terms of the future but I think real-time data, it does make a real difference in terms of the immediate choices people make, so I'll undertake to pass that on to ag as well.

**Mr. Smook:** I'd like to ask one more question in regards to the Gardenton Floodway. Has the minister talked anything with the Minister of Conservation, as far as using that whole area as a water-retention area? We hear a lot about water retention these days. Have there been any discussions in one of the plans possibly to enlarge the area to use it for water retention, as well as just for flooding?

**Mr. Ashton:** Yes, it's standard to look at that, and any projects. We do talk to Conservation, Water Stewardship, and indeed, we—one of the issues we do lack at—look at in terms of the technical report, not just the flood side, but potential for retention.

**Mr. Helwer:** Going back to—there's some discussion of Churchill, the Churchill line, obviously, is an interest for grain and other commodities. There—my understanding is there's a good portion of petroleum products that already travel up that line, diesel and aviation fuel and such and there have been some concerns about shipping oil through there. Can the minister expand on that a little bit and, if we already ship more volatile products, why would there be a concern for putting oil up that line?

**Mr. Ashton:** Well, first of all, there's limited shipment of any petrochemical goods; it's mostly just for supply purposes. Second of all, crude oil has very different elements to it. It is a hazardous substance. The federal government's recognized that, Transport Canada has. That—we've also got—it's a very different viscosity, density, so even some of the handling facilities that you might use for diesel or other

petroleum products don't apply. So that's the first element.

When OmniTRAX did talk last year of doing a trial shipment of crude oil through Churchill, they had not completed any kind of environmental analysis. It's very obvious that any shipment of crude oil raises all sorts of issues in terms of the environment—and a very sensitive area of the environment, it could be the boreal forest or true to the tundra, let alone any environmental issues of shipment through Hudson Bay, potentially into the Northwest Passage, which is, you know, is opening up. So there were significant environment issues.

On the track side, there's been some significant improvement on the track safety. We've been part of it. We've invested \$21 million, the federal government's invested about 18, OmniTRAX has also invested, I think, \$9 million on the capital; they probably invested over a hundred million on maintenance over the last period of time. But, even having said that, there are some questions in terms that whether it would be safe enough for something of this kind, and quite apart from the broader analysis, you know, the chief from War Lake, it's on the Bay Line communities and a very strong supporter of the Bay Line, Chief Kennedy, I think, summed it up recently in terms of environmental hazards. There was a derailment not that long ago of grain cars and she said the main impact of that is the bears had a field day. You know what, bears had a field day with grain; ironically, you have any kind of petroleum-based product, first thing that attracts bears is petroleum-based products and I couldn't imagine what would happen if you had a shipment of crude oil, in terms of the impacts on the environment.

\* (12:20)

We also are very concerned about the exponential growth that's taken place in terms of crude oil nationally, and I won't get into, you know, the previous discussion, but just to reiterate that, to my mind, the idea of moving crude oil through the Bay Line at a time when there's a dramatic shift, quantum shift, in the way in which we're dealing with hazardous goods and particularly crude oil, to my mind, the timing couldn't be worse: environmental concerns are significant, safety concerns are significant. So we've been very clear; clear indirectly and in writing, that we don't support OmniTRAX's initiative to move crude oil through Churchill. And I'll be more direct. I have been a

proponent of the Port of Churchill and the Bay Line, you know, I used to sit on the Port of Churchill Advisory Board. I've been involved in promoting the port. Our government's involved in promoting the port. We are committed to promoting the port. But there'd be nothing more likely to set the port back, let alone any of the other impacts I've referenced, than if you had a derailment or you had a significant spill in the Hudson Bay. That would do more to put the Port of Churchill back than anything else I can imagine.

So it—we believe it's—and I appreciate that OmniTRAX is trying to develop the port. They are under some—at some risk now, because with the loss of the Wheat Board which was the main supplier of wheat to the port, without storage facilities of significance there and presence of any grain company, they are very dependent on the subsidy that's put in place, with their—three more years left. They've done a very good job, by the way, 640,000 tonnes. There may be a need to extend the subsidy, we believe, to put in place some of the investments that will provide a sustainable base for the port. We believe there's a lot of other prospects for the port. I mentioned grain, obviously, fertilizer, potash. When I mention fertilizer, potash, that includes urea, and we're talking not only shipment out but shipment in.

So there's a lot of other ways in which we can develop the port, we believe, that don't put the environment at risk, put rail safety risks forward and, quite frankly, put the Port of Churchill in jeopardy. So that was our analysis, and there is a very different situation between the limited shipment of fuel oil or diesel and what would be significant shipment of crude oil in rail cars through the Port of Churchill. And, dare I say, just to finish it off with Lac-Mégantic, Lac-Mégantic was Bakken field oil shipped through a short line, and we saw some of the risks that were involved. Having Bakken field oil shipped through Churchill, again, another short line, with a—probably a, you know, much better safety record now the last few years than the one at Lac-Mégantic. To my mind, it doesn't take much to recognize that given all the factors I've mentioned and given the underlying concerns, it just doesn't make sense to move—to be moving to a major new commodity that could put the environment at risk, create rail safety risks, put the future of the port at risk. So that's why we've basically said we don't support it.

**Mr. Helwer:** Well, interesting response, and I'm pleased to see that the minister doesn't see nitrogen

or urea or potash as a threat to the environment, and good to hear, because we do often hear different things from the public. I think it's an opportunity, perhaps, to explore, and disappointed to hear that it's been dismissed out of hand.

I—what is the potential at all for a company to ship oil through Churchill? Is it just a solid no, or are you open to looking at OmniTRAX finding a way to make it work?

**Mr. Ashton:** Well, I can also indicate, by the way, that through the CGDC, our—my deputy sits on that; we actually help finance it. And one of the other issues has been, quite frankly, a lack of any real business plan. On the EIS, there was no EIS; what—they were originally looking at doing a trial shipment in October with no EIS. And we've been very clear, we don't have the immediate jurisdiction in the sense that rail, you know, it's a federally regulated short line. But we do have, obviously, a broader role in terms of the environment. And so certainly we have concerns to that, but we're also—this is the province of Manitoba where we're concerned about Manitoba and Manitobans and we're also a major stakeholder.

No one has put in more money into that port outside OmniTRAX itself than the provincial government. So when they brought forward their—what—when they announced it and when they had any internal meetings we've said we're not in a position to support this. And the member mentioned other commodities. Again, anything that's moved through the port has to take into account environmental aspects. But, you know, to my mind, would be foolhardy at this point in time, especially with crude oil, especially after Lac-Mégantic, especially with the fact that upwards of 70 to 75 per cent of the railcars are in use. They're not owned by the rail companies by the way. It's not—this is not a criticism of CN and CP. It's owned by the shippers. They are the pre-2011 design. You know, so there's a lot of issues that need to be dealt with.

You know, I was somewhat surprised at the move. I think a lot of people—surprised, our Premier (Mr. Selinger) was surprised and others, a lot of stakeholders were surprised. They did have a number of meetings in the North, certainly didn't have full consultations, I can tell you. I represent the community of Thompson, obviously, but I also represent communities of Wabowden, Thicket Portage, Pikwitonei, Ilford and War Lake, and I've certainly talked to—Churchill itself, I know, I've talked to people in Gillam. There are concerns all the

way along the Bay Line about this proposal. And the bottom line here is basically no AIS, no, you know, complete business plan, significant concerns. And, you know, to my mind the decision we made was a pretty logical decision, and that is not to support this initiative.

And I can't stress strongly enough to how much public response there's been. There were some people that supported it, I appreciate that, and some stakeholders. I rarely, if ever, had as much feedback as I have on this, not just from the Bay Line communities, but more broadly from Manitobans. And I think a lot of people just agree that it's common sense in this case that, given all the concerns, it really is something that Manitobans, I think, would agree with our assessment that they—you know, we don't support this initiative. Doesn't mean we don't support the Port of Churchill. In fact, because we support the Port of Churchill, we want to see things done in a way that will have a long-term sustainable future. And in my mind and to our view as a government, this would not only raise significant issues in terms of it, but, you know, the movement of oil itself, but with—we don't want to see anything that would jeopardize the long-term future of the port.

We're in the time period when the next 10, 20, 30 years with climate change, with the opening of the Arctic ice. There's huge potential for the port if we do it right, and to my mind and to our minds as a government this is not appropriate.

And it doesn't mean—I don't want to be overly critical of OmniTRAX. On other files we're working co-operatively. We have a new entity, ones from through the Legislature: Churchill Arctic Port Canada. They'll give us equivalent of what CentrePort does. But does that vision include shipping crude oil through the Port of Churchill? With all due respect to OmniTRAX, that may be an initiative they're interested in. We're not supporting it.

**Mr. Helwer:** The minister mentioned changes to the port structure—I guess—and is this legislation that we'll be seeing and does it change the funding models?

**Mr. Ashton:** I know we're running out of time, but just briefly, it is before Legislature. That's the bill we introduced—trying to remember, Bill 27? We're doing a briefing coming up I think. So that's—

**Mr. Chairperson:** Order.

The time being 12:30 hours, committee rise.

**FINANCE**

\* (10:00)

**Mr. Chairperson (Rob Altemeyer):** Will the Committee of Supply please come to order.

This section of the Committee of Supply will now resume consideration of the ever-exciting Estimates for the Department of Finance. As has been previously agreed, questioning for this department will proceed in a global manner, and wouldn't you know it, the floor is open for questions.

**Mr. Cameron Friesen (Morden-Winkler):** It's good to be back, and I look forward to the next few hours that we have together and continue to ask some questions about the departmental Estimates for Finance.

Yesterday we were having a discussion about the basic personal exemption, and the minister was providing information about the decisions of her government at some times to—at—to raise the amount, and I had asked the question about whether we would—could see, perhaps, under her leadership on this file, a multi-year commitment to increase that basic personal exemption. But we didn't do much speaking about the area of also indexing tax brackets. And so I did some checking just to make sure.

So the federal government does index their tax brackets, and in Manitoba we don't. I wonder if the minister could indicate when was the last time that the tax brackets in Manitoba were indexed.

**Hon. Jennifer Howard (Minister of Finance):** We haven't indexed the brackets, although I am told by the tax officials that the effect of raising the basic personal exemption by the \$250 each year of the last four years for a total of \$1,000 actually has a greater effect than if we had indexed the tax brackets.

**Mr. Friesen:** The minister says that the basic personal exemption adjustment has a greater effect. What we see in other provinces, though, is that it is not one or the other. Indeed, they are two separate areas of examination when it comes to finance.

And so the question I asked is pertaining to when the brackets themselves, the thresholds, would actually have last been adjusted. So right now in Manitoba, of course, taxation begins at the basic personal exemption threshold and continues until \$31,000, and then the next taxation level continues from 31 to 67 thousand dollars, and then it's a separate taxation level from—over \$67,000. And I believe that the—on that first taxation level, it is

10.8 per cent; in that second taxation level, 12.75 per cent; and then for sums \$67,001 and over is 17.4 per cent.

So my question to the minister, just to start conversation in this area, is: At what point in time were those amounts last adjusted, last indexed?

**Ms. Howard:** I can provide some additional detail to the member. So between '99 and this budget year—so these are major tax reductions from '99 through to those that will come into effect through 2016. So in that time, we've see the top bracket tax rate decline from 18.1 per cent to 17.4 per cent. We've seen the middle bracket tax rate come down from 16.6 per cent to 12.75 per cent.

As we've talked about, we've seen the basic personal amount increase from \$7,231 to \$9,134. We've seen the spousal amount go up by about 49 per cent from \$6,140 to \$9,134. We've seen the eligible dependant amount go up from \$6,140 to \$9,134; that's also an increase of about 49 per cent.

We've seen the top bracket threshold increase from \$59,180 to \$67,000.

Of course, we've brought in tuition fee income tax rebates up to \$2,500 a year, and then we also brought in an advance for that program so that people could—people who were currently in university or college could get some of that in advance. That's up to \$500 per year.

We brought in, like the federal government, a fitness tax credit of up to \$54 a year, Children's Arts and Cultural Activity Tax Credit up to \$54 a year. Also a Primary Caregiver Tax Credit up to \$1,275 a year; that has been very well used by Manitobans.

\* (10:10)

We also brought in a tax credit for people who receive fertility treatments; that's 40 per cent, up to \$8,000 per year. That's also been very well used by Manitobans.

We see increase in the Small Business Venture Capital Tax Credit to 30 per cent, and that—some of that action is happening in this budget. Community Enterprise Development Tax Credit, 30 per cent; Mineral Exploration Tax Credit, 30 per cent. So, if you total that, the total personal income tax reductions between '99 and 2016 total \$539 million annually.

And then, if you look on the property tax side, which we also think is an important measure to

enhance affordability for Manitobans—so we have, of course, put in place this—starting this year, measures to further assist seniors with school taxes. The residential education support levy was eliminated in 2006, so that's one of the education taxes been taken off.

We've seen quite significant growth in the education property tax credit, from \$250 to now Manitobans can receive \$700, so that's up by 180 per cent. We've also seen significant increase in the seniors' education property tax credit, from \$800 to \$1,100. And, of course, we've had some discussion in the House about farmland school taxes rebated at 80 per cent. And so the total property tax reductions in that time period, also \$386 million annually.

And then there's also been action in that time on business taxes. As we've discussed, the small business rate has gone from 8 per cent to zero. The limit on small business income from \$200,000 to \$425,000, so that's captured more businesses who pay zero income taxes. We've seen the general corporate income tax rate come down from 17 per cent to 12 per cent; it's down 41 per cent. General capital tax go down to zero.

We've also seen increases in different tax credits that affect businesses. Research and development tax credit has gone up to 20 per cent, and half of that is refundable. The film and video tax credit has gone up 86 per cent, from 35 per cent to 65 per cent. Cultural Industries Printing Tax Credit, 15 per cent. Book Publishing Tax Credit, 40 per cent plus an additional 50–15 per cent for recycled paper. The Interactive Digital Media Tax Credit, at 40 per cent. The Odour-Control Tax Credit, at 10 per cent. Cooperative Development Tax Credit, up to 75 per cent. The Nutrient Management Tax Credit of 10 per cent.

We have a sales tax offset for data processing investment tax credit, up to \$5,000 per year. We heard more information, I think, on this yesterday for co-op education and apprenticeship tax credits. We've got a 30 per cent tax credit for Neighbourhoods Alive! and 8 per cent for Rental Housing Construction Tax Credit. That's seen total business tax reductions in that time of \$446 million annually. So, for a total—grand total of tax effect on Manitoba businesses and families of a reduction of \$1.371 billion.

**Mr. Friesen:** Sometimes, Mr. Chair, in these—in the context of these proceedings, I regret the fact that we

can't raise a hand to flag to indicate that that wasn't what we were looking for. So I thank the minister for providing that information. I wasn't asking a question about special tax credits, and, of course, we acknowledge these things do exist, both in Manitoba and in all provincial jurisdictions and at the federal level as well.

Manitobans need tax relief; nowhere is that more clear than in Manitoba. But the particular question I asked her was with respect to basic income tax rates. On a lighter note, I did have to wonder as she was reading down, at one point I thought she talked about a Filmon video tax, but then I realized—my colleague told it was actually a children video tax, and I was going—

**An Honourable Member:** Film and video.

**Mr. Friesen:** Film and video tax, right, which is different than a Filmon video tax. So I thought there has been so much reference in the House lately to the '90s, I thought this was a tax I had not—or a tax credit that I had not heard about. So, in any case, that one—I'm glad we could have the clarification on that matter.

I would make the comment, and I—you know, we won't have a discussion about special tax credits, but I know I am hearing in my own jurisdiction—colleagues are as well from other people in theirs—I mean, when it comes to the farmland tax credit, I know that what farm families were promised and what they are getting are two different things.

I think that when the minister says an 80 per cent farmland tax credit, that is somewhat misleading. What she needs to also indicate, of course, is that it has become clear that this is an 80 per cent credit with a cap, with restrictions. And that means that, you know, when you start to factor in those things, farm families are finding that, in essence, it's not 80 per cent they are able to claim after some of those restrictions kick in. So let's, you know—we need to be clear about that.

Coming back to the question I had asked, though—I think that both things are important. I think it's important to have a conversation, both about special tax credits, but also about income tax rates. And we know that it's not just us asking these questions. You know, I'm looking at a report here from KPMG. I know that these things come up at the—you know, at the meetings that the minister attends when she attends meetings with other Finance ministers.

What I'm wondering about is this: Coming back to my original question, the federal tax brackets are indexed, and they're indexed each year by a calculated inflation factor. And that factor is based on the change in the average federal inflation rate over the 12-month period ending, you know, the September 30th of the previous year. So they're basically looking at the previous year, calculating the inflation rate on that and then they are applying that against the actual income tax rate. It is not just the federal government that does this.

Can the minister indicate what other provinces index their tax brackets using the same formula as the federal government?

**Ms. Howard:** Well, I appreciate the member's comments about the farmland tax credit and the urging to go further, but since he raised taxes under the Filmon government, I'm happy to talk about those. And I, you know, would say, with respect, that why—while there's probably always room to improve on tax credits, and we take that advice in this budget, we will be improving on tax credits. We'll be introducing the seniors' property tax rebate and seniors will be eligible for \$235 in addition to the \$1,100 that they have now. That will take thousands of senior homeowners off the education property tax rolls.

And I would just, you know, say in terms of context, while, yes, there may be restrictions on some tax credits, we do try to preserve the fairness of the tax system and make sure that the advantages of tax cuts are equally disbursed, that one of the fundamentals of any income tax system anywhere in the country is the notion of tax fairness. And what that means is that those that earn more, those that have more property, when that property is worth more, those people pay more taxes. That's a fundamental—pretty fundamental concept.

And so, when we look at the farmland tax credit, yes, some decisions are made to ensure that's fair. Eighty per cent, even with the \$5,000 cap, is better than zero per cent, which it was for many, many years.

Certainly, the previous government took no action to reduce those taxes on farmland, and we did take that action. So should we go farther? I'll accept the advice for what it's worth, but I would just remind the members that it went from zero to 80, and I think that that is—that has provided some significant tax relief to those families.

On the question of other provinces—that index—I think it's probably fair to say majority of provinces index their tax rates like the federal government. Many of those provinces, if you look at what makes up their revenue stream, you'll also see—for example, I'm familiar with Saskatchewan. Saskatchewan gets about 20 per cent of their revenue from natural resources. So that is a decision that they made to take that revenue from natural resources and something that they have in abundance in their province. And so that—when you've got a revenue stream that makes up 20 per cent, then you can make decisions, I suppose, to reduce other revenue streams.

\* (10:20)

I know there's also an ongoing debate in Saskatchewan about what the proper use of those revenues are. There's some voices that say there is risk in overly relying on resource revenue to fund the core operating costs of government, because although right now we're in a period of time where it seems like the upswing in resources will never end, there have been times in the past, and not that far past—I think probably the early '80s, early to mid-'80s—when you see a crash in resource revenues. And so, if those form part of the revenue stream that you count on for core government operations and then they—that sector undergoes a downturn, you have some serious challenges.

In Manitoba we have a much more balanced economy, much more diversified economy, and that allows us to be protected from wild swings in different sectors, but each province makes up their revenue differently. Some provinces—for example, I think British Columbia has health premiums, and in their recent budget increased those health premiums, so you can collect revenue through health premiums and increase them and perhaps that would allow you to have a different income tax structure because the revenue is coming in through another way.

So we can—you know, there is some value, I think, in comparing provinces, but I think we also need to understand that each province has different makeups for their revenue and that means that they make different decisions on that revenue.

**Mr. Friesen:** I thank the minister for her reply, and, yes, I note here that British Columbia indexes its tax brackets using the same formula as is used federally, but I believe it uses the provincial inflation rate rather than the federal rate in that calculation.

I note also that for British Columbia the province's inflation factor is 0.1 per cent for 2014. By comparison, Saskatchewan, New Brunswick and the territories index their tax brackets using the same formula as is used federally, and so using—that inflationary factor is 0.9 per cent for 2014, as reported here. So I guess I have a question for the minister. I'm not sure where in our documents it indicates that. Could the minister indicate what the Province of Manitoba reports as the inflation factor for the province of Manitoba for 2014 and perhaps for 2013?

**Ms. Howard:** So I'll point the member to the budget papers. On page A12 you'll have what the Manitoba outlook is, and these, of course, for future years are forecasts, and the only measure there of inflation would be the consumer price index. I'm not familiar with other provinces, how they calculate inflation. Not everybody uses the consumer price index as a measure of inflation. Other provinces will use a mix of measures and a formula and some will do a forecast generally, but that would, from a consumer price index point of view, it would show in 2013 of 2.2 per cent, in 2014 a forecast of 1.8, in 2015 a forecast of 1.9.

Now, I would just reference for the member, I believe there is some report out today from the Bank of Canada that says their major concern at the moment is actually deflation, and I think this kind of goes to some of what we were discussing yesterday when the member was talking, asking about what kind of indicators may there be that the recovery continues and perhaps is slowing. And, certainly, that would be one indication is if you had very low inflation or deflation.

So I'm not sure—it might be interesting to know if those provinces who have that indexing for their income tax rates, what they would do in a situation of deflation. Would that mean that they would then adjust their rates upwards, if they were in a situation of deflation, which I think would, you know, make a difficult situation worse, in many respects, but that would be—I would be—I don't know if they've got a floor that they—deflation is something that is not, thankfully, usual in Canada, so it may not be something that they've considered.

But I do know, certainly, when we experienced the recession in '08-09, there were some policies that we had that were—things were indexed on the basis of inflation, some benefits payments, for example. I was familiar with one under Workers Compensation

where we had to bring in an amendment to ensure that that didn't actually go down, because we were then in a period of zero growth and in danger of deflation.

So that would be interesting to know, I think, from those provinces, if they got into a situation of deflation, would they then readjust those tax brackets accordingly.

**Mr. Friesen:** I thank the minister for referring me to page A12 of the budget papers there, so it's not really an indication of an annual inflation rate. Even, of course, the question, then, you know, begs asking, well, when are you measuring from? Are you measuring from the end of the fiscal year? So would we measure from, like, April 1st, 2012, to March the 31st, you know, 2013, and then derive an inflation rate, and based on what?

I guess the reason I ask it, though, is because other provinces are doing that and so I know there is—of course, here these are measurements looking at the Manitoba outlook and the consumer price index is part of that, but I noticed that you don't—like, it's not indicated as an inflationary rate for the province.

So even if it is not reported here—I guess what I'm getting at is, is that information available by request? Is it something that the Finance Department tracks or is it other—is it something that other, non-government groups track? And does government access that information as provided by, you know, banks and other financial institutions and do they accept those inflationary numbers as seen by other sources?

The reason, of course, I ask is it goes to the argument of, I mean, we—I understand that, you know, that the minister understands the basic principles of inflation that says that, you know, a jug of milk does not cost today what it cost 10 years ago. You know, to fill up your tank with gas does not cost what it costed 10 years ago. To go back to her analogy of apples from yesterday, what a dozen apples got you 10 years ago is not the same; it would take more apples if you were bartering for something today. I understand that the minister accepts that. I question the extent to which the fiscal policies of this government with respect to income tax reflect that acknowledgement.

I understand that she—you know, she talked at length about the special tax credits; that is all part of the equation. What I was asking the minister is, I guess, on a go-forward basis, why has it been in

Manitoba that the indexing of tax brackets is not part of that equation? So I'll just ask once again. That's the more open question, and the specific one is, are there places where the government then looks for indicators of a provincial annual inflation rate and do they use that information as they do calculations?

\*(10:30)

**Ms. Howard:** So, in terms of how we kind of gather economic data and how we do forecasts on the indicator of inflation or consumer price index, on a going-backwards basis, we would use the information supplied by Statistics Canada. On a going-forward basis, there's, I think, probably eight or nine different private forecasters, banks and others, that we take all together a survey, and the policy unit does this work, and they take all of those forecasts together. And that's what generates the information that is on page A12, I think, both in terms of CPI and GDP growth.

I think, with respect to taxation—and, really, I think it speaks to overall affordability. I think what we have done as a government is made strategic decisions to help make life more affordable for Manitobans. And the way we've done that—although I know the member sort of pooh-poohs the tax credits, but for many families that has been very, very important. The property tax credit—I can tell you when I first bought my house, I think my total tax bill after those property tax credits was under \$500 for the year. And as somebody who had just bought her first house—I was on my own, single person—and all—you know, when you buy a house, you have to buy all the stuff that goes in a house, all the appliances, all the furniture. Certainly, when I got the tax bill and realized that, you know, I was getting tax credits that meant I was paying very, very minimal property taxes, that was a tremendous, tremendous help.

And so, you know, we've made those kinds of strategic decisions, bringing in tax credits like the caregiver tax credit. I don't know what the worth of that now is. I think it's 20 or 40—it's over \$20 million a year that is staying in the pockets of people who do the work of looking after family members. For us that was important not only in the sense of tax relief for Manitobans, but also to recognize what is often unpaid—well, almost always unpaid work often carried out by women, and that's the work of looking after aging family members or friends or however one defines that. But it's also important, I think, for

governments that people are encouraged to look after each other.

I know many families that I know and have spoken to that want to have a family that struggle with issues of fertility. That treatment can be very, very expensive, and having a rebate of up to \$8,000 annually has helped—I know have helped families who before could not entertain the dream of having their own child, have their own child, and has also informed some of their decisions, I think, in a much more positive way.

So those tax credits, I think those are very important measures to help make life more affordable, but also to help make the tax system more fair. And those are the decisions that we have made as a government to try to make life more affordable, and those decisions have resulted in tax savings to Manitoba families and businesses of over a billion dollars a year.

**Mr. Friesen:** In the interest of accuracy, I would note for the record that what I said is that it was important to have a conversation about both things like special tax credits and the overall income tax rates and the—and how those move up or remain stable. Both are part of the conversation; both go to affordability; and both are important not just within the context of this room and these discussions, but they're important for Manitobans. Manitobans care about affordability, and in the conversations that I have and I'm sure in the conversations that the minister have—has, invariably the issue of fair income taxation comes up.

I did want to note for the minister that it is only Manitoba, Nova Scotia and PEI who do not index their tax brackets or surtax thresholds. And I did note, as well, just for comparison, that, like in Ontario, using a provincial inflation factor they had factored—they're using the figure for 2014 of 1.0 per cent, whereas, you know, Newfoundland and Labrador is using a provincial inflation figure for the year 2014 of 1.5 per cent. So it's interesting.

I mean, obviously, these provinces—just like the minister has said, and I would agree with her, that provinces have different situations. They derive revenues differently. Their economy is built on—and on different things and those different things contribute variably to the overall wealth of the province. So we understand no one province can be completely compared to the other. We need to understand the situation. And so that's why I

wouldn't be surprised—I'm not surprised to see inflation factors varying.

But what we do notice is that seven out of 10 provinces do use some kind of inflationary factor and then they apply that against their income tax rate. Now, I won't belabour this point because, well, the minister will disagree about this. You know, it would seem that she's on the outside looking in when it comes to understanding fairness in the income tax—the way income tax brackets work.

But I'm glad she mentioned the issue of property tax credits because that, I think, allows us to move to an area that is closely related to this. So yesterday we were talking about the basic personal tax exemption and the fact that, you know, the government has made, I would say, certain one-time adjustments upward, not articulating any kind of long-term plan to right-size the basic personal exemption—perhaps that's not the right word—to bring into line with other provinces the basic personal exemption. I think at one time her predecessor had actually said doing so would rob the coffers of the provincial government, which really caused me to raise my eyebrows because we do need to understand that this is the money that belongs to Manitobans we're talking about. So fairness in taxation can hardly be seen as robbing the coffers of government.

But, that said, yesterday we were talking about the basic personal exemption and this morning we've been talking about income tax brackets. Related to that is the issue of the land transfer tax. And so as I'm looking at my budget and budget papers and looking at page 4 and looking at the land transfer tax, so the land transfer tax now results in revenues to the government of \$90 million. That's a fair amount—more than a fair amount.

What I want to know in specific, pertaining to our discussions here, is can the minister indicate for me just as a refresher—and I know I have this information but we spoke yesterday and on Wednesday night about having huge amounts of paper in front of us, and I know that's the same today, both for the departmental staff and myself included. But I wonder if she could just review for me what are the thresholds pertaining to the land transfer tax with the sale of property. What are those thresholds of tax being assessed against the sale?

**Ms. Howard:** I just want to say for the member opposite, I really need no lessons from him about fairness, actually, in the tax system. You know, he is a member of a party who, when in government,

clawed back every dime of the National Child Benefit from the most vulnerable families, and that cost families millions and millions of dollars. And when we came into government, we restored that. So I will take no lessons from him on fairness.

I will refer him to page C34 and C35 in the budget papers, if he wants to look at The Manitoba Advantage, because I do think it's just intellectually honest when you're talking about affordability to look at all of the things that somebody spends on daily living.

And so he mentioned Ontario, so I'd like to take him through a comparison between Manitoba and Ontario. He'll find this on C34 and C35 of the budget papers. So let's look at the first category there as a single person with a disability who's earning \$25,000 a year. And if we look between Manitoba, Ontario, the first line there is on provincial income tax, and you will see it's true. In Manitoba that person would get a rebate of \$155 so they would be getting a credit on tax. In Ontario that would be higher, that's true, of \$495. But—and if you just took that alone, one would say, oh, it looks like you're better off in Ontario than Manitoba, but that's not the whole story.

\* (10:40)

The next line is health premiums. In Manitoba there are no health premiums. In Ontario that individual would pay a \$300 health premium. So, right away—and I would consider a health premium a form of taxation. It goes by another name, I suppose, but a health premium is something that an individual pays in order to support the health-care system. In Manitoba we've decided that we're going to use taxation to support the health-care system. So in Ontario you pay a \$300 health premium.

So that, then, takes—you're still ahead in Ontario by \$40 at that point. And then we look at other things that people pay, and we know that in Ontario goods cost more and so that means that people pay more in sales tax. And in Manitoba you'd see, for that person, there is an advantage there. So then when we look at the total of provincial taxes, credits and premiums, the person in Manitoba is actually ahead of the Ontario comparison.

And then we get into what are the costs, the—some of the basic costs of living. We look at rent. We see in Manitoba, where life is more affordable—although, certainly, we know that housing costs continue to be a challenge for many people—and in Manitoba there's about a \$4,000 advantage on rent.

You look at utility costs. We know that in Manitoba, because we have some of the lowest utility costs in the country, we have an advantage there. You look at public transit. In Manitoba somebody can spend \$886 a year; in Ontario it's \$1,464. So, then, if you look at the total costs, in Manitoba there's almost a \$5,000 advantage.

So for total taxes and basic household costs on that one comparison, the person living with a disability in Manitoba is about \$4,500 better off than in Ontario. So one cannot simply look at one measure, the taxation, as a measure of affordability.

On the question that the member asked about land transfer tax, this—I think the question was about rates and at which level. I think this information is publicly available, but I can—I'm happy to provide it to the member. Property values of \$30,000 to \$90,000, land transfer tax rate is 0.5 per cent. The land transfer tax payable would be about \$300. On property value of \$90,000 to \$150,000, the land transfer tax rate is 1 per cent, so the land transfer tax payable on a property like that would be \$600 plus \$300 for \$900. On a property value of \$150,000 to \$200,000, land transfer tax rate is 1.5 per cent. The land transfer tax payable would be \$750 plus \$600 plus \$300; doing some quick math, that would be \$1,650. And then over \$200,000, the land transfer tax rate would be 2 per cent.

I think it's interesting to note, for the member opposite, that those provinces that have the HST also charge the HST on the sale of new homes, including the land, so that would be an additional closing cost that people would face. I think it might also be interesting for the member to know that all provinces except Manitoba, Alberta and BC charge provincial sales tax on real estate commissions, which Manitoba doesn't, so that, of course, would also increase your closing costs in those provinces. If you look at a combination of land transfer tax and sales tax on real estate commissions combined, you'd see that Manitoba ranks probably in the middle of the pack, about sixth among provinces, for taxes on average-priced home sales.

And I think, as I was referencing earlier for the member, I think another thing that, certainly, first-time homebuyers take into consideration is what the effect is of property taxes. I know when I was contemplating buying a home for the first time, having rented all my life, I had a very good real estate agent that took me through, you know, what all the costs were, because I think you kind of look at

buying the house and the mortgage cost and you maybe forget that, oh, actually, I'm now going to be paying taxes, oh, I'm also going to be responsible for all the utilities, and she was really good in helping me understand the total effect on the budget.

So eliminating the education support levy on residential property in 2006 and increasing the basic education property tax credit from \$250 in '99 to \$700 in 2011 actually means that your one-time land transfer tax is offset by those annual property tax savings, and those annual property tax savings go on and on and on and on.

And so, as I said earlier, all governments, I think, make different decisions on taxation. I think our decision has been to be quite aggressive on property taxes, on property tax relief, and I think that that has provided for first-time homebuyers to have some ongoing tax relief and I think it has made the prospect of owning a home more realizable for more people.

**Mr. Friesen:** I thank the minister for that information.

Pertaining to the land transfer tax, the minister indicated that the top threshold—and there are thresholds at which a percentage of tax is assessed against the sale and, of course, that is a rising scale. So the greater the value of the property, then the greater the value of the tax. And we understand that scale; we understand why that scale would exist as well.

My question is not about that, but my question is one that the industry has continued to raise. It's one that Manitobans have continued to raise, and it goes back exactly to our same discussions on basic personal exemption and income tax fairness. It has to do with why is there not an effort to incrementally raise the amounts at which tax is assessed. I believe that the land transfer tax—I'm just guessing here. Has it been around for about—you know, I shouldn't guess when it's going on the record. So I'm going to allow the minister to correct me, exactly how long the transfer tax has existed. I think I've got a pretty good idea about that—when that is, but I'm sure that we can look up that information. The fact is we understand that, because of inflationary pressures, when this land transfer tax was implemented, what \$200,000 would get you in a property is not what \$200,000 would get you today.

Now, this is a minister and this is a government that says a lot of things about wanting to support

families and wanting to support low-income wage earners. Now, I know that we could probably step onto the street and ask any real estate agent that we'd find what the average property sale would now be in the city of Winnipeg, perhaps in the city of Steinbach, city of Brandon, city of Morden-Winkler, Dauphin, Swan River, Portage la Prairie, places like this, and what we would find without having to do much research is that—saying that the top category is \$200,000—that might be less than the average cost of a home now in the city of Winnipeg.

I guess we have to ask ourselves, what did the top category at which that percentage of 1.5 per cent was assessed against the sale, what did that represent when this tax came into effect? Because it is certain that what it represents—represented is not reflected now.

Is the minister undertaking, in her capacity of Finance Minister, to make some necessary adjustments to the land transfer tax to help those Manitobans who are trying to move into first-time homeownership and help other Manitobans who are perhaps moving between homes?

**Ms. Howard:** So my information is the land transfer tax has been in place since 1987, and the information also provided for me is that all provinces have some kind of land transfer tax or fee on the transfer of property.

And I am, of course, aware of the concerns of the real estate association. I had a good meeting with them in the lead-up to the budget, and they've expressed the concerns that the member opposite has expressed. And, yes, the value of homes has increased and that is a sign of positive economic growth.

\* (10:50)

I think, you know, when we came into office in 1999, there were some neighbourhoods in the city of Winnipeg where you could get a house for \$9,000, because nobody wanted to buy them. There were some neighbourhoods in the city of Winnipeg you could not get home insurance because of the rate of crime and arson in those neighbourhoods.

And I think, you know, we have seen really remarkable transformation across the province, in the city of Winnipeg, where you have homes and neighbourhoods that were once thought to be in trouble, to be a—very undesirable. You've got many neighbourhoods like that now where people are

clamouring to buy homes, were clamouring to buy first homes or clamouring to buy condominiums.

I—really, I mean—and this is certainly with all respect to the Chair, who represents the area, but when I drive down Sherbrook and see condominium developments, I have to tell you, when I moved to this city in 1998, I would have never guessed that that would—that there would be a day when you would have condominium developments on Sherbrook. Because at the time I moved here—and I was looking for a place to live, and I looked for some—I looked at some apartments in that area, and even the person showing me the apartments told me I didn't want to live there because they felt that it was a dangerous area and an undesirable area.

And now that part of the city is booming, I think would be fair to say. People are clamouring to live there. You know, you walk down Sherbrook, you can buy a very good, very expensive coffee at a couple of different locations, which maybe isn't a scientific indicator of prosperity, but is some kind of indicator.

So, yes, housing values have improved, and for people who own houses, that has contributed greatly, I think, to their prosperity and wealth. As I said before, you know, all provinces make different decisions on how they're going to help make life affordable for families. In Manitoba, our government has made a decision to be very aggressive on property taxes. And if you look at page C38 and page C39 in *The Manitoba Advantage*, you will see that Manitoba has the highest property tax credits available at \$700, I think, in just about every example that I am looking at. And so that is the decision that we have made. And that is an advantage to a homeowner that goes on and on and on every year, you know, whereas reductions in the land transfer tax is a one-time advantage.

Now, that being said, I think the Real Estate Association makes a compelling case for a review of this. I don't disagree with that. We are also in a time of deficit, as the member knows, and so making large adjustments to taxation at a time of deficit has to be considered very carefully, because you do run the risk of adding to the deficit or having to make decisions to cut deeply into the services that families count on.

So I'm not closed-minded to the potential for further movement on these issues, but I also have the responsibility of the entire budget and the responsibility to bring the budget back to balance in '16-17. I take that responsibility seriously.

We also have, in this budget, made a commitment to take further action on property taxes by starting the property tax rebate for seniors' education taxes. This year that will cost \$15 million to do that and will provide a benefit to seniors that will further reduce their taxes, and we've committed to move forward on that, even in a year when we're facing a deficit.

So, you know, every government makes different decisions. The past government, their decision was to not move on property taxes. And, in fact, you saw property taxes go up quite dramatically in that time, even at a time when you saw funding to education drop. So, even in years when the government was decreasing the funding available to education, they were collecting more in education property taxes.

So, you know, those are the decisions some governments make. The decision our government has made is to be aggressive on property tax relief, and we think that that has helped—even in a time when housing values are increasing, has helped to make home ownership still accessible to many, many Manitobans.

**Mr. Friesen:** I think it's an important issue, and I appreciate the minister's comments again about affordability. We keep coming back to the same theme, which has to do with, in the estimation of our party, this government lags behind other jurisdictions when it comes to acknowledging inflationary effects on the economy. And I know that other groups—it's not just us saying it—but other groups, third-party groups, the taxpayer federation and other third-party groups have continued to say that when a government continues to enjoy the benefit that comes with inflation, through increased revenues to government, that same government must also acknowledge that its individual wage earners are faced with those same inflationary pressures and to not adjust upward things like income tax measures and to not adjust upward things like basic personal exemptions. And I mean adjusting them on a regular basis, on a repeatable basis, consistently, and without the need for fanfare in a budget line, as if it's something that a government should take credit for.

We are saying it should be done reflexively and failure to do so must be understood as a form of latent taxation. I noted yesterday that when we had the conversation about the basic personal exemption and I asked the minister to quantify, to provide a number that would reflect the amount of revenue

not collected by this government, as a result of the decision to raise, by \$250 upward, the basic personal exemption, she provided a number, and one of her colleagues proceeded to start clapping on the other side of the table. And I found that interesting because it was like this member was saying, hooray, look what we did.

The real question, of course, to the minister, and I asked that question yesterday for a reason—the real question to the minister would have been, of course, then: In every year that the government did not raise the basic personal exemption, what would have been the cost to Manitobans as a result of that kind of latent taxation? Because you really can't have it both ways.

If the member across can clap when her minister says that as a result of a BPE increase of \$250 in one fiscal year, this is an amount we didn't collect from taxpayers, then really, we can say with clarity and with accuracy what the cost to Manitobans is every year that the government doesn't incrementally increase that. I would make an ancillary argument that the \$250 is just an amount this government has set out. But, really, \$250 doesn't necessarily reflect what the inflationary effect would have been. What should the government have actually raised the basic personal exemption by on an annual basis just to come to the average of the provinces? We can run those numbers and maybe it's a conversation that the minister and I can have at a later time.

What I'm trying to help lead the minister to is a fuller understanding not because of what we believe ideologically but because of what Manitobans believe ideologically about the necessity for fairness in the system, that when we don't increase these amounts, it amounts to a taxation.

*Mr. Bidhu Jha, Acting Chairperson, in the Chair*

That is the macro. Here's the micro: With higher housing prices today, with much higher pricing houses—house pricing today than in 1987—you know, I think about the home that I lived in in 1987. Now, I don't live in that same home. I'm sure it's traded hands a number of times since then but I can recall the sale price of that home, and I can recall the last sale price of that home.

It's incredible when you think about how housing has increased in value in our province, and with no indexing on rates to reflect those higher prices from 27 years ago, other than one incremental adjustment, and I know the deputy minister would

correct me if I didn't mention the fact; there was one adjustment I think, somewhere, some small tweak. It might have been to the top level of that. Wasn't much, and I'm not sure when the adjustment took place, honestly. I don't know when that took place or what the rationale was for that, but without this done, I bring the minister back to this, which is that what these levels of tax assessment against a sale represented in 1987 are not what they represent today.

\* (11:00)

I would suggest that a \$200,000 house in 1987 would have reflected a house value that perhaps only the top 5 per cent of earners could attain to. Maybe that's unfair. Maybe the minister would assert instead that maybe it would be the top 10 per cent of wage earners, that would be a home that only the top 10 of wage earners could reflect. I suggest to her today that saying that \$200,000 is the top level of percentage taxation on that transaction, that would capture almost every family buying a house. I don't how it reflects with condos, but I've seen some condo prices, and man, condominium sales have gotten much more. But stand-alone housing, it doesn't reflect what it used to reflect. This has implications for a lot of people, but I think nowhere more so than with first-time homebuyers.

And I know if the minister thinks back to the first time she bought a house—I can remember what that was like for my wife and myself. And so we had to come up with this down payment, and that took some time and it took some saving. It took some discipline, and we had to come up with a sizable sum for all of those closing costs. And then our lawyer explained what we were also going to have to pay and it was like a two-by-four to the side of the head. I could not believe the amount that we as a young couple were supposed to come up with. In our case, we really had to crunch the numbers again. I know in other cases, many cases, it makes the difference between home ownership and not home ownership.

Comparatively, we know this. We know that when we look at Manitoba and compare it to other jurisdictions, we pay much more. I believe, actually, referring to the Manitoba Real Estate Association that the minister referenced earlier, they call it exceptionally higher upfront closing costs. By comparison, let's take that same \$200,000 figure. That is the rate at which the highest amount of tax is assessed against a transaction for property. In Manitoba a couple who is—I say a couple, but

first-time homebuyers, could be an individual, could be seniors. It could be, you know, a one-income family or two-income family. It doesn't matter what the individual or the group's income status is, if they buy a house with a value of \$200,000 the LTT on that transaction will be \$1,720 in Manitoba. Compare that to \$600 of that kind of tax in Saskatchewan—because the minister referenced that, and she said that all jurisdictions have some form of closing cost or provincial tax assessed against a home. Alberta charges \$90 for that same \$200,000-valued home.

We are the highest without exception, am I correct in saying that? Well, okay, one exception. One exception being Quebec. So we are the second highest in the country. Now, of course, if I compared our amount to a \$300,000 home, then we're again at the top.

And my question, again, for the minister is this. I know it comes back to the same thing about incrementally increasing to reflect inflation these amounts that government charges that must be understood as latent tax unless they're done. Why do Manitobans pay so much more than anyone else?

And my other question, then, coming back to her, it would be this. She talked about the special tax credits before. She took some considerable time to read special tax credits, which we all understand are important, and I won't allow the minister to assert otherwise. They are important. But the fact is we cannot talk about one without talking about the other. So coming back to these special tax credits, is the minister of the opinion that it is time in the province of Manitoba to provide some relief to Manitobans in the form of some kind of a special tax credit against the tax—against the land transfer tax? Is this something that she's considering perhaps for the upcoming fiscal year? Is it something that she is in discussion about at the highest level of these discussions in Cabinet and in committee, and is it something that she's considering in perpetuity on a go-forward basis in the province of Manitoba to produce a more fair basis on which people can move into home ownership or transition between homes?

**Ms. Howard:** I'm having trouble keeping track of all the questions in each, but I'm—got good folks here that are helping me.

So I first want to start off by going back to the discussion about the basic personal exemption and indexing, and I want to refer the member to page C14 in the budget papers, The Manitoba Advantage. And if you look there you see a

comparison between the increases of the basic personal exemption. Now, I think the—[interjection] C14—I think the member said something like, oh, well, this doesn't really matter, the basic personal—you don't have a commitment to it and you don't do it often enough. And we've done it the last four years, every year, \$250. And in our time in government we have increased the basic personal exemption.

But, if you look on page C14, we actually did a comparison between increasing the basic personal exemption and indexing the tax rates. And you will see on that chart there—and I assure you this is not me that writes this stuff, this is what is provided by the department—and there's a chart there that shows clearly that the increases to the basic personal exemption provided more tax relief to Manitobans in the time period between 2011 and 2014 than would have been provided if tax rates were indexed in that time.

And, if you look at the paragraph on the bottom of that page, says between 2011 and 2014 the annual increase of \$250 to the basic personal amount significantly exceeds the increase that would have resulted from indexing to inflation. In 2014, each taxpayer's basic personal amount is \$365 higher than it would have been using the consumer price index, so I just will not allow the member to leave on the record that these things don't make any difference to taxpayers. I just think that's false.

Now, if you want to move on to a discussion that we've been having about property taxes and costs when you're closing on a house. You know, every government makes choices about what they can do to make life more affordable to Manitobans, and the choice we have made is to be very aggressive on providing property tax relief. And, in my estimation, because you pay property taxes every year that you own a home, the benefit that accrues to most Manitoba families—I suppose if you very often sell or buy a home, every year or every couple of years, the—you know, one may make the argument that the property tax credit is not something that may make up for a slightly higher land transfer tax. But for most Manitobans, I would say we maybe own—buy or sell a house—three or four times in our lifetime.

So let's take the comparison that the member provided of Saskatchewan, and I think he said that in Saskatchewan you would pay \$600, in Manitoba you would pay \$1,720. Now, I'm not going to check his facts; I'm going to take his facts at face value. So, that is a difference between Saskatchewan—

**An Honourable Member:** Is that commitment ongoing?

**Ms. Howard:** Well, one time only, special deal.

So that is a difference between Manitoba and Saskatchewan of \$1,120. So, yes, you pay \$1,120 more on that purchase of that home in Manitoba on the land transfer tax, that's true. Now, in Manitoba, you get a \$700 property tax credit on your property taxes—everybody—and you actually get that whether you own or rent, and you get that even if your taxes are less than \$700.

*Mr. Chairperson in the Chair*

So my question for the member would be, you know, would you prefer to take a deal where you get \$1,120 one year, one time, or would you like a deal where you get \$700 a year for as long as you own the home? What do you think is the better deal? In my estimation, you make up the difference between Manitoba and Saskatchewan within the first year and a half of home ownership on the property tax credit. And then you keep getting that property tax credit.

So let's say you stay in that house for five years, which I think is a reasonable assumption. I've been in my—you know, I'm—only ever bought one home, I'm still in the first home I bought and be there 10 years this year. So let's say you stay in that house for five years; that's \$3,500 in the property tax credit. Let's subtract the difference of \$1,120 that the member stated was the difference in land transfer taxes or fees. You are ahead in Manitoba by \$2,480.

In my mind, and I think in—I think most economists would tell you that a tax benefit you get one time versus a tax benefit that you get every year, the tax benefit you get every year is probably better. It's probably—you—probably means you're better off on an affordability—in an affordability context. And so that's the decision we've made.

\* (11:10)

I remain open to the discussion with the real estate association and others who have said that there is room to move on this. I'm open to that discussion. We'll make those decisions in the context of achieving a balanced budget. So, if there is a way to continue to make homeownership more affordable to Manitobans within meeting our obligation to balance the budget in '16-17, I'm completely open to that discussion.

**Mr. Friesen:** It's interesting because the backdrop for all these discussions really is that times have changed.

And in 1987, when the land transfer tax amount began, the average priced home—I guess the land transfer tax amount on the averaged priced home was \$250, and now it has ballooned to \$3,200. That's well beyond 10 times the effect. I noted, as well, I managed to locate while the minister was delivering her response—I was trying to talk about estimated average home sale price. So, according to Manitoba MLS sales in the average price, the average home sold in the province of Manitoba for the fiscal year 2013 was around \$260,000. So that's the average home sale. Compare that to even just 10 years ago. In 2005 the average home sale price was \$130,000. So right there we have seen basically a doubling of prices.

Now, I know that the members of the department will be very uncomfortable if I do some ad hoc extrapolation without a calculator in hand. I know they don't intend to do that very often, but if I even then consider, if that's a 10-year net effect—and I know there's all kinds of complicating factors. We can surmise that in 1987 it would have been far lower—*[interjection]* Oh, and I understand that we've been searching for additional data and we've managed to locate a number that would indicate that the average home cost. The home-sale cost in 1987 was indeed \$82,000. So no ad-hoc calculations needed. We actually have a definite number we can use. Eighty-two thousand dollars in 1987, and now we are here in 2014, almost four times the amount or three and a half times the amount.

Think of what the effect would have been to homeowners had the government from the onset—had the government from the onset agreed to index these amounts. Because then—I guess what we're saying is that the ideology expressed at that time and the purpose of the tax would have—there would've been a fidelity that remained between then and now. Without that the rationale provided for that original effort has eroded. It's disappeared over time. And you know what would be interesting as an exercise, would be to go back and then to read the rationale provided for that tax at the time and the rationale provided for those increments at which the tax was assessed. We would chuckle now to think about the average home price being \$265,000. I'm sure they would've used words like elite or top echelon. They might have used, you know, terms like top 5 per cent of wage owners. And the idea would've been

reflective, actually, of many things that this minister says about the fact that, you know, based on ability to pay. She often references themes that say, you know, if you earn more you can pay more and, of course, those are just broad general themes throughout taxation. We understand that's the way our taxation system works and why the tax is assessed as it is.

But, in this case, we simply see, at the very basis, times have changed. The government makes 10 times the amount on the sale of a property now as they did then, and that's, basically, unfair.

So, while we could have a protracted conversation, I'm just going to focus down on one last question I did ask the minister, which is: Is she contemplating at this time any form of tax relief, either for first-time homebuyers or for other specific groups, that would provide them some comfort and relief from the property tax—or the land transfer tax, as it now exists?

And I would make—just—I would add this information. It kind of reminds of the home renovation tax credit that the federal government brought in a number of years ago. I remember when they did that, it wasn't that many years ago. And I really scratched my head because I couldn't figure out the rationale, and I started reading about the tax. I knew that as a resident, it might be something that we would avail ourselves of. It seemed to be good, and it seemed to be something that could provide us with some opportunities. And, at the time, of course, I think that was shortly—or maybe around 2008 when the, you know, the whole international community was understanding a global economic decline, and they were trying to get to a place where they could respond to it.

I was interested to see that this one measure actually had the effect of generating considerable revenues in sectors, because even though government provided a relief, some form of taxpayer relief, what it actually did is resulted in many people taking advantage of that relief, having a net effect that was positive. It might have also had the effect of, perhaps, bringing into the lights, you know, certain companies who, perhaps, you know, would do renovations and repairs and, you know, perhaps, for whatever reason, were not submitting bills. We know—we talk from time to time about the amount of the economy that is unreported, and we know it's a consideration, I'm sure, for this minister and this deputy minister, and that's shared across

Canada; we're always thinking about how to get people into compliance through a variety of means.

I come back to this point though. It is quite probable that if the minister was to consider some form of tax relief, that she might actually realize large amounts of revenue that would begin to flow to government as a result of the fact that we would have increased purchases of homes and increased costs that homeowners would take on. And, does the minister consider this in her analysis, while she's providing me with a statement of whether or not she's considering some form of tax relief? Because she was very excited to talk about it prior, when she talked about special tax credits, which, I will say again, we all understand, are very important, just as this conversation is.

**Ms. Howard:** Well, I guess maybe it's the use of the words special tax credits—maybe it's the use of the word special that rankles me a bit, because these are tax credits that many, many families take advantage of. I don't know that it's—that the property tax credit is a special tax credit when it applies to virtually everyone who owns or rents a home. So how is that a special—I don't—but that's fine. I'm not going to get into semantics.

But, I just, you know—he mentioned that this is somehow—this is a matter of ideology and I'm ideologically opposed to making things more affordable to families, and nothing could be further from the truth. It's a matter of math.

So I ask the member, if I were to say, you can save \$1,120 this year, or you can save \$700 a year for the next five years, what does he think, mathematically, is a better deal? If I say I'll give you \$1,120 now or \$3,500 over the next five years, I guess some people would say, I'll take the \$1,100 now. I would suggest that would not be really economically in your best interests. Most people would say, if I can get \$700 a year in property tax relief for the next five years—say I own the home for five years—that is a better deal than a one-time savings of \$1,120. I think that is a better deal.

\* (11:20)

And we have been aggressive on property tax relief. And the member asked about—the other thing I will say on the land transfer tax, the reality is that we put out six times what we take in, in the land transfer tax and property tax credits.

So by many, many measures, although, as I've said before, I am open to a discussion about the land

transfer tax in the context of balancing the budget by '16-17. I'm—I expressed that to the real estate association. I expressed that here. I'm completely open to a discussion of how to continue to make home ownership affordable for Manitobans, and I'm open to a discussion. But I also have the responsibility to get the budget to balance and to do that without cutting the services that Manitobans count on.

But, if the member tells me that he would take a deal where he could get \$1,100 today or \$3,500 over five years, you know, I would not want to go into business with him. That's all I will say about that. *[interjection]* Well, I have run a very large non-profit corporation; this had a budget of 5 and a half million dollars a year, employed over 100 people, and we were able to do that and maintain the budget and occasionally run surpluses and expand the organization. So I have some experience, actually, with large budgets—*[interjection]* You know, no, I am not a banker; that's true. I come from a background working in the non-profit sector. I'm very proud of that background.

But I would, again, say for the member opposite that, you know, clearly our commitment has been on property tax relief, because that is a cost that homebuyers and homeowners face every year, every month that they own a home. And that is also informed the commitment in this budget to extend further property tax relief to seniors.

And in this budget there is a commitment to bring in a further rebate for property—education property taxes that seniors pay of \$235 this year, and a commitment that that will grow in future years and that will be added to property tax credits that those homeowners can now get, which in some cases, based on income, would reach \$1,100. That means there are many, many—thousands, in fact—homeowners, and thousands of senior homeowners who pay no education property taxes because of that property tax credit.

And so we'll have to leave it as a difference of opinion. The reality is that the former government, the party to which the member belongs, did not bring in property tax relief. They had it at \$200 a year, and it stayed at \$200 a year, and we have increased it. And so, that is, I suppose, a difference between us. I maintain that while I'm open to the discussion with the real estate association, that to discount the effect of property tax credits on the ability to own and maintain a home, I think is just dishonest. And I do

think that \$3,500 over five years is more than \$1,120 one time.

**Mr. Doyle Pivniuk (Arthur-Virden):** Chair, if I just want to ask the minister about the land transfer tax, I—was understood that when it first came—was implemented many years ago, in 1987, it was basically there to cover the cost of the actual—do the transfer and the administration work on the government side.

Since then, the—it's not been indexed with the overall price of housing. I feel that it's a huge money grab. A situation that happened in Virden with a client of mine—purchased a \$2.1-million senior complex, which was to have—housing seniors. When the processing was done to—for the sale of the complex, the actual price for the land transfer tax was \$42,000. So if this—basically the land transfer tax came in to really cover the costs of the actual transaction, how does \$42,000 justify that? Was that the cost of the actual transaction, or is that just a tax grab? These are seniors too.

**Ms. Howard:** I'm not familiar with the client that the member opposite is talking about. If they are a registered charity, they're not going to pay the land transfer tax. *[interjection]*

**Mr. Chairperson:** Order, order. We have to let the minister—it's—just to be clear, it's—and I know the member's new to the table, but it's for the benefit of the folks who are doing the Hansard. So they can only hear one microphone at a time, so it's—I would love it if it was a free-flowing conversation, but for that reason, we need to have everything recorded—

**An Honourable Member:** We save that for the pub.

**Mr. Chairperson:** Afterwards.

**An Honourable Member:** Then it is a free-flowing conversation.

**Mr. Chairperson:** Yes, in a couple of ways.

So I will recognize the minister to continue and then conclude her comments, and I'll recognize you if you're next, and we'll just go back and forth that way. So thank you for your patience.

**Ms. Howard:** So, if it's a registered charity, it won't pay the land transfer tax, but I take it from the member that's not the situation. So if it is a for-profit entity or private entity, it is going to pay the land transfer tax.

I don't know when this was built. We have brought in some tax credits for developers who are

building affordable housing to help offset some of the costs of that, and I'm happy to get you more information about how that works. Now, as I say, I'm not sure, the timing of this, if it would apply to that, but if you'd like, we can put together what that tax credit is and you may—they may find that useful in terms of tax relief.

**Mr. Pivniuk:** Yes. Going back to that, it's—basically, what happens then, it just gets passed on to the seniors, who have to, you know, pay for that extra cost, and so that's why I just want to thank you for that clarification.

The other thing is—I think the big thing is also there is—the payroll tax is one of the concerns that people in my constituency—now that the oil industry's growing a lot, more employees, I think a lot of corporations find that it's more of a challenge always to hire individuals, but also when it comes to that payroll tax. More and more companies are going into that threshold.

And when we're competing with Saskatchewan on the other side, that's a very concern with a lot of corporations to a point where also, when it comes to corporations in that part of the province, a lot of them are setting up corporations in Saskatchewan because the labour—the payroll taxes.

And even also as much as how vehicles are—have PST put on them. In Saskatchewan, when you buy a vehicle, you're finished paying—like, once you pay your taxes, that's only one time on that car. But we continuously pay taxes as that transaction—that vehicle gets sold from one entity to the other. In a lot of cases, we have a lot of private individuals who could incorporate, and now to incorporate and then to put a fleet of vehicles, they find that the cost of the PST and all the other issues—so they actually go to the—they actually incorporate in Saskatchewan.

I believe in Manitoba we're losing a lot of revenue by the incorporations into Saskatchewan.

**Ms. Howard:** So just to get back to the example of the housing that the member was citing, so I would say, while that may be true that that added cost is passed on in terms of rent, what is also true is that renters and senior renters get a property tax credit every year, and that is meant to help defray the costs. And I think it's—I don't know—I mean, the property tax credit is pretty unique, generally. Manitoba's one of the only provinces that has that, and certainly the highest. I don't know if it's unique that we also give it to renters, which is in recognition of the fact that

even when you are renting you are making some contribution towards taxes.

So for those seniors in that complex, I don't know how many places there are, but let's say it's \$42,000 one time in the land transfer tax. Let's say there's—what are there, 20 units in this? About 20 units, okay, so about \$2,000 each. Those seniors will be eligible for up to \$1,100 a year in property tax credit, so, if they live there for two years, they will have recouped that land transfer tax in terms of the property tax credit.

\* (11:30)

On the other issue of the health and education levy, the member probably will know that we increased the threshold for that levy to \$1.25 million. It used to be \$1 million. It was \$1 million when we came into office. And that change has meant savings to businesses of about \$431 million since that change came into effect, but 5 per cent of employers pay the health and education levy in the province. And that is a levy that has been in place for many, many years. No government of either political stripe has seen fit to remove that levy in the time in government.

I do hear and I'm sure you do hear from businesses and corporations concerns about that. One of the things that you'll find in the budget papers somewhere—and people are going to look for it—is a comparison with respect to manufacturing firms. And I appreciate you talking about oil and gas, and I'll address that in a minute. But we do do a comparison of the input costs for manufacturing and we include taxes in that, including the health and education levy, and we do that in order so that when we go out to talk to firms about locating here, we can provide them an accurate picture of the competitiveness of the Manitoba situation.

So, if you look at page C18 in The Manitoba Advantage, there's a good discussion there, you'll find, of Manitoba's competitive business environment. And if you turn the page to C20, you'll see some graphs that show what the net cost of investment is for a smaller manufacturing firm and a larger manufacturing firm. And what this is a measure of is a measure of all of those costs. So they're not only costs like the health and education levy, but they take into effect costs that you might pay in other jurisdictions for health premiums and for other taxes that may be collected. So, if you look at that page there, you will see that the net cost of investment for a smaller manufacturing firm in Brandon, which would probably be the closest

comparator for the constituency the member represents, is second only to Moncton in not only Canada but comparing to the United States, who are also a competitor for these firms. Winnipeg is about sixth. But it does show that locating those firms, when you take all of the costs of investment into consideration, is very, very competitive, and I think that's probably the most useful comparison.

We did have—I did have the good fortune of meeting with representatives of the oil and gas industry when we were in Brandon and we were doing our infrastructure round tables, and what I heard clearly from them, as one of their primary concerns—I'm not saying that this isn't one of their concerns, I accept that it is—but one of their primary concerns was investment in infrastructure. And they were very—wanted to clearly relate to us that the growth of their industry was directly related to investments in infrastructure and also related to investments in skills training, because they—I'm sure as you know, that area of the province is crying out for skilled labour.

And so I think one way to talk to them about the health and education levy that they pay is they are seeing the benefits of the taxation that they pay come back directly in infrastructure investments that are going to help their businesses, are going to help get that oil and gas to market, and investment in education in skills training that will help grow their workforce. That being said, it has—that has not—I have not found that works as a compelling argument when people are concerned about taxes.

But the reality of the health and education levy is we have increased the threshold, which has meant fewer firms pay it and pay it at a lower rate. But neither government of either stripe, when in office, took that levy off of businesses.

**Mr. Pivniuk:** I just wanted to ask the minister about funding for daycare. One of the biggest issues that we have, because of the boom that's going on in our region, is daycare. I believe that daycare—by not funding daycare—is—we're losing in our economy.

We have so many people who are, like, young families who come out—like, we're talking about housing right now. So many families right now are struggling to pay student debt. They're buying houses for a huge price, say, from what I bought a house for 10 years ago, 15 years ago. And now that new generation is buying houses now, they're paying a quarter of a million dollars for a average bungalow.

So, along with the student loans and now mortgages, both want to work, but they can't because we can't find daycare. We need 144 spots in Virden or more, we need another 50-some in Boissevain, we need about 20-some in Melita. A lot of smaller places—I know Oak Lake got some funding—but our economy, we are—employers are losing money because we can't—there's skilled workers out there, but they can't find daycare.

There are people who want to work, but, again, they can't find daycare; they're skilled but they can't find daycare. And some families are now splitting their work week by working longer hours in the evening. And one couple—actually, one person's actually started early in the morning. Still, the quality of life and—for those families are really pressing.

So what I'd like to see is more funding, and it'll help our economy because, again, it's—I believe that there is employment out there, there's jobs out there, it's just that we don't have the daycare to keep people fully employed in some of those regions that are growing rapidly. And so that's my question today.

**Ms. Howard:** I agree with the need for more daycare, that's why there's 5 and a half million dollars in this budget to provide more daycare spaces. And I think the member has just eloquently put the case for why that is in this budget and why we've made that decision, because daycare spaces absolutely do help to support the economy and allow people to work. I would not want to have to explain to my constituents, as the member opposite will, why I voted against that investment. But that's something that he will have to do. I voted for that investment.

So the 5 and a half million dollars that is in this budget to provide daycare spaces builds on investments that also are—have been in previous budgets to build or expand existing child-care facilities. You've seen—I think it's over a hundred and fifty new child-care centres opened since we came into government. And the member knows—as I know, knows better than I do, that his area of his province is booming, and I have no doubt that there is a need for additional daycare spaces in that part of the province.

And there will be in the coming months a new child-care strategy released, and that will talk more about how to meet that demand. Because I think one of the other things that I remember—and he may want to have more discussion about this in the Child and Family Services Estimates as well, because they'll have probably more recent information—but I do

remember when I was the minister responsible for child care, one of the things that we heard, particularly from rural areas, was that we also have to do a better job of keeping people who operate home-based daycares in the game. And so, I think that's something that we heard through this—through these consultations, and I hope that's something that will be reflected in the strategy, because, well, for some communities, absolutely an expanded or a new child-care centre is the right answer. For some communities, trying to build on the home-based daycare is probably a quicker and more efficient answer. And not every community can sustain a 25-, a 30-, 40-space centre, either with staff or demand, so both of those things have to be part of the equation.

But although there continues to be a great need for daycare, I do think making key investments every year, as we have done, has—you know, that has to be recognized and that is part of the solution.

So in this budget, as well, there is money for daycare. There'll be more details of that come out. I invite you to also express your support for that in the Estimates of Child and Family Services, and that minister may also be able to give you additional information.

\* (11:40)

We have opened daycares right across this province. I do have a list of all the ones that we've opened. I could read it into the record; it would take the next 20 minutes, so I'm not going to do that. But I do not doubt there is a need in your area for expanded daycare. There's a need across the province, it is an economic driver, it is something that allows families to go to work. That's why it's in the budget. That's why there's a significant investment in this budget, as there have been in past budgets.

The other thing the member talked about were, you know, young families who are struggling to pay back student loans. And I don't know if he's aware, but something that he may want to pass on to some of his constituents is their eligibility for the graduate tuition credit and tax rebate on their taxes. And this applies even if people who didn't go to school in Manitoba. So I know his area of the province is many people who are moving in from other provinces to work there. So even if you went to school in say, Saskatchewan, and you come and work in southwest Manitoba, you're eligible for this rebate. And that rebate is 25—can be up \$2,500 a

year. So it is significant. But you can also get it if you're currently going to school in Manitoba, you can get an advance of up to \$500.

We have leaflets that we—I take every time I talk to—speak to any high school. So if that's helpful, we can make sure that we have some that you might want to also have in your constituency office so people know that they're eligible for this rebate. I'm sure if they're getting their taxes commercially prepared, they will get it because those folks know every possible rebate. But if they're doing them themselves, they may not realize that even if you went to school somewhere else you're still eligible to get a rebate on your taxes of your tuition.

**Mr. Friesen:** Mr. Chair, I would like—direct the conversation to the area of the core government expenditures for the province. But I want to start with looking at—I know we are here considering the Estimates of the budget. I believe it is in the scope of the conversation, of course, to refer to documents, including the annual reports for government because what I'm trying to do is, of course, get an idea not just from 2013-14, but looking at the actual expenses from 2013 to see how this informs the minister's commitments and pledges about containing departmental spending.

What I'm trying to figure out is when government reports financially on a statement of expense, for instance for the 2013 year, I see that the government reports in actual expenditures and they report authorized expenditures. But there's also a column where they report unexpended amounts. And I just would like—I invite an explanation because I'm wondering, when it comes to core government, what do we mean by unexpended amounts, especially because I see in many, many cases, these are departments that have spent past their budgetary allotment and yet there is still an amount there? There might be something that I'm not understanding about the way the Department of Finance defines unexpended. Can I just ask for an explanation of that?

**Ms. Howard:** So I'm not going to get persnickety about this, but really, we're in the Committee of Supply and we're talking about the Estimates for 2014, and if we want to talk about the Public Accounts, we talk about that at the Public Accounts Committee. But I'm going to answer the question.

So I think what the member's looking at, not having the advantage of having the Public Accounts in front of me, because we're not discussing the

Public Accounts, but I think what he is looking at, is a table that will show the—so that there's a budgeted amount that the department gets and then throughout the year there may be supplementary funding that's required by the department, maybe because they experience something that wasn't anticipated when the budget was put together. This can happen sometimes, particularly with regards to the Conservation budget; you'll see it sometimes in years where there are more forest fires than were expected. So they will come and request supplementary funding, and that will get—and they will ask for that in advance, and they may not—they're going to ask for as much as they think that they need. They're not going to want to be out fighting a fire and have to come back to Treasury Board to get more money to continue to do that. So sometimes they ask for more than they turn out—than they end up needing. And so you take the amount that was budgeted, plus the supplementary funding that was granted, you minus the actual, you have the unexpended amount.

**Mr. Chairperson:** Just before recognizing the next speaker, I do want to clarify that the minister is correct. There are questions that relate to areas outside of the department. I've let those go this morning and in previous sections. If the minister is willing to answer them, then that's fine. But for the questions, when they are directed in this section of Supply or any other department, technically speaking, there's supposed to be at least a rough ability to point to a section or a line item in that particular department where the question is coming from. Again, I'm fine as Chair having flexibility, and if the both sides want to have the conversation on something that falls outside of that, I'm totally all right with that. But that is technically the rules for how Estimates works.

So, with that said, I recognize the honourable member for Morden-Winkler.

**Mr. Friesen:** And I assure the Chair that the conversations that I am attempting to have here and the basis for them is pertaining directly to the Estimates of Expenditure.

The other day the Auditor General made a comment about being able to have the financial materials in a comprehensible way. What I'm trying to do is start a conversation understanding not just the budget from 2014, but of course understanding that in order to understand that figure, we need to understand what the figure for 2013 is. I am very

happy if the minister wants to just direct me somewhere in the documents we have in front of us, somewhere where it will report the actual 2013 expenditures. That actually may be something that's actually right in the budget. I, just at my fingertips, didn't have it, and I had a better access to this document.

So we know that these financial materials repeat amounts in other places. We know that in the budget papers themselves, we of course see 2013 bud-'14 budget, and then we see a forecast. And then, of course, we see an Estimate of Expenditure for the coming year derived from that. And those numbers, of course, have a relationship. I'm simply saying, it would inform our conversations to actually then also consider, of course, well, what was the average amount? I think it would make our conversations go quicker than for me to ask the minister in each case to indicate, well, what was the actual figure, especially if we both have the information in front of me.

So I'm just asking for clarification, what would be the most efficient way that we could have this conversation if I wish to refer to the actual expenditures for 2013 as they reference our expenditure Estimates for this year?

**Ms. Howard:** Well, I don't have the actual expenditures for 2013 because the fiscal year ends March 31st, which is in about 10 days from now. So outside of getting in a time machine and going ahead two weeks, I'm not sure how to give you numbers for a fiscal year that hasn't ended.

**Mr. Friesen:** The minister's sarcasm aside, I might have misspoke. What I was trying to ask for is for the fiscal year ending in, like, for 2013, for the fiscal year ending in 2013, a year that is concluded, a year that we've considered in our annual reports already. It doesn't matter to me where we reference the number, but is there a page in which we could see the actual spending by department to the core government for the year ending 2013, not the year ending 2014?

**Ms. Howard:** Well, the actuals for '12-13 would be in the Public Accounts for '12-13, which we had in front of us for three and a half hours on Wednesday evening. So that's probably where you will find the—I think that's where the actuals are. That's—they're actuals and they're audited, and they're in the Public Accounts for '12-13, and they're discussed at the Public Accounts committee, and that's where they are.

**Mr. Friesen:** And this is technical, and I have that document in front of me and I'm reading from it. There seems to be some concern from the Chair that if I read from the document, that he suggests that I won't be focused on the finances of the Province. I can ask the minister line by line for these amounts, but it's going to take a lot of our time. If that information, of course, isn't included in departmental Estimates, do I have permission from the Chair to refer to these amounts that have been considered at committee, that I have in front of me, that I imagine the minister has near her, as well. *[interjection]* The minister is saying that she doesn't have books pertaining to Public Accounts. Okay. Then I'll make a determination, if there isn't agreement about that.

\* (11:50)

What I will do, then, is I will refer to the Estimates, the departmental Estimates, and I will ask questions. But I will ask the minister to somehow provide on certain lines what the actual amount was expended for that closed fiscal year, because, really, if we're going to have this conversation, we have to understand there's a relationship between what they actually spent and now what they project they will spend. Both is your forecast for 14 and the expenditure Estimate going forward.

This goes right to the heart of having the numbers in front of us. This is the concern the Auditor General was discussing. It is one thing to compare an Estimate to an Estimate, and we get that. But this government is basing a cornerstone of their budget on the idea that they are going to be able to achieve a 1 per cent equivalent cost reduction. I don't want to put words in the minister's mouth, but she—oh, capping, holding down spending to an equivalent of a 2 per cent increase across all core government departments. So that's the projection they've put out, that this is the pledge they have made to Manitobans.

I'm not trying to be quarrelsome; all I'm stating is that if we are to measure the veracity of the minister's claims we must then also say, how have they done in the past. The best indicator of future performance is past performance. Why don't we then also, you know, include in our scope those discussions? I'll put that out there. I'll ask a first question and we'll see how the Chair decides to proceed.

I'm looking at the budget for 2014. I'm on page 11, because that's where the breakdown is of the departmental spending, the core government spending. I notice that the—if I'm looking at the

Estimates book, the minister's departmental estimate for the area of health is \$5.382 billion and the projection this year is to arrive at \$5.274 billion.

What we notice is that, as we go through the numbers, there are a number of departments that the minister's proposing to increase funding to this year; there's a number of departments that she's proposing to decrease funding to this year. And, as a result, I realize the minister's not saying she's going to achieve a cap of 2 per cent across all departments, but rather that she would achieve an equivalent cap of expenditure increase across all the core government departments considered together.

My question to start out is: On what basis did the minister and her colleagues make the decision to increase funding to certain areas and cut funding or freeze funding to the others? In other words, in terms of the winners and the losers of this list, why—on what basis did the minister make the decision to decrease the departmental estimate for Agriculture, Conservation, Finance, Justice, Labour and freeze funding to Aboriginal, Northern Affairs, Conservation and Multiculturalism and Literacy?

**Ms. Howard:** Well, I'm going to explain to the member—I don't care what questions he asks me, he can ask me any question he wants from any book he wants, and I'm happy to do my best to answer them.

But I'm going to explain to him why it's important that we obey the rules of the committee, because we have staff here that come here prepared to answer questions based on the topics of this committee, and the topic of this committee is Finance Estimates, and that's the green book that you have in front of you.

And if you want to go to schedule 6 of the green book on page 83, you will see some historic information, year over year, of actual expenditures, you will see it there. So I—sorry, the member is simply mistaken to say that we haven't provided clear information. And I am going to defend the staff who provide the information, to say that they work very hard to provide clear information and historical information, and the member has that. The member has that in the departmental Estimates in front of him, he has that when he goes to the Public Accounts Committee, where we were just the other night. He had several opportunities that evening to ask questions of the deputy minister about the public accounts for '12-13. He asked some of those questions. I'm sure we'll have future opportunities to.

But the reason why we try to ensure that when we go to committee that we all know what documents we're talking about is because we have departmental staff who come prepared for that. And it simply is not fair for the member to ask questions on documents that the staff have not prepared or brought with them because they aren't the topic of the committee.

You want to ask me any question, go right ahead. You can ask me any question you want and I'm happy to do my best to answer it. But do not suggest that the staff is not prepared, because you are asking questions of documents that are not the subject of the committee. That is not fair and I will not permit it. And that's why we have the rules that we have of the committee.

Now, going on to talk about what the member is asking is about, which I'm sort of lost track of at this matter at this point, but if you want to look in Budget 2014 and look at page 10 and 11 of that document in your Estimates of Expenditure and Revenue, I think what he had asked was how is the decision made to give some departments increases while other departments have freezes and some departments have decreases. And I do think in—I think he may be, when he looks at Justice and Other Expenditures where there's an overall decrease there, I don't think that would be accurate to describe that as a decrease to the Department of Justice. I actually believe—and I'm not sure where it is in the book—there is a department-by-department increase listed. Here it is on page 21 in the Part A—Operating, and you'll see there department-by-department increases. And I think there you see that Justice is actually receiving a 4 per cent increase this year.

So the way these decisions are made, of course they go through the Treasury Board process, and departments come and they present their Estimates and there's a discussion there and the decision that we made this year—we've made certainly in past years as a government, was that in a time when new spending is limited, as we seek towards balancing the budget, we're going to focus that new spending on priority areas such as creating jobs, providing skills training and to those core government departments like health care, like Education, like Family Services, like Justice.

Now you—I'm sure you'll get more detailed information in some of the departmental Estimates if you want to talk about what makes up for the reduction in some of these lines. My understanding

of Agriculture, and again we're, I'm on thin ice here because I do not claim to be that as acquainted with the Estimates of Agriculture as I'm sure the Minister of Agriculture is. But my understanding there is this is some of the effect of the year that some of the ag insurance and credit corporations had. Last year, I think, as the member knows, was a very good year in terms of crop production, so those parts of the budget are higher in the previous fiscal year than we would expect them to be in the next fiscal year. Maybe it'll be another bumper crop year. I certainly hope so, but it didn't seem that we should forecast based on that.

I think that's the largest part of it, but if you want to get more information on the Agriculture Estimates, probably asking those questions in the part of Supply that deals with Agriculture is best, and maybe when you ask the next question, I'll just confer with the staff and see if we can answer, give him a more fulsome answer on that.

**Mr. Friesen:** Well, first of all, let me just say in response to the minister's comments, she seemed to get very defensive, and perhaps she misunderstood the intent of my question.

The record will show that at no time did I question the departmental staff who have come well prepared. We had discussions on Wednesday night at the Public Accounts meeting. We had good discussions and I know that the deputy minister was in the hot seat there, being in his position for the first time on Wednesday night, and we had good discussions around the table. I know myself and other colleagues and we sought answers and we got them, and we appreciated the conversation that we had that evening, just as I am appreciating the conversations we're having in the context of these departmental Estimates.

So perhaps the minister misunderstood, or perhaps, you know, having served in the Legislature for a much longer period of time than me, she understands some cautions around the way the Estimates are considered that perhaps are a little more fuzzy to me, being in this building for only two years. I assure her that we are trying to have a conversation that is respectful and that respects everyone's work and contribution to this exercise.

\*(12:00)

I'm attempting to understand the global core budget commitment of this minister, of this government, and this minister is the Finance Minister. With respect to the past record of the

government when it comes to core government expenditure, in essence, the question to Manitobans is, can the minister achieve a 2 per cent overall freeze or a cap on departmental growth?

What I notice is—right away is that the expenditure estimate for departmental spending is a net loss of 324, that would be million dollars. So we're projecting another deficit, and of course I don't need to remind the minister, because we've been through it already, that we have already had deficits in a row. I think I reminded her yesterday that the net deficits collected together for the past five years are equal to \$2.5 billion.

So I do appreciate her explanation about Justice, and there's so many numbers—yes, I believe that does show it's like a 2.95 per cent change that's budget 2013-14 to estimate.

But just going to Agriculture for a moment, and I think that—you know, obviously, as the minister says, we can go to departments and I can ask ministers specific questions about departmental spending. They will have their deputy ministers and their staff there, and I understand they're going to have information at their disposal sitting at the table. We can have those discussions so long as our critics allow me the opportunity to ask those questions.

But globally, in this context, I guess the question I have for the minister is that she's provided in Estimates of Expenditure that indicate that some areas will be cut in funding, but is it reasonable for her to anticipate that those departments will stay within their decreased allotment when even the last fiscal years shows that they have not been able to do so? What are the discussions at the highest level that take place with these departmental areas? And, I guess, what assurances—maybe this is the question that is global enough. What assurances does the minister have on a go-forward basis that these areas will be able to remain within their allotment and not exceed it?

**Ms. Howard:** Well, if I sound defensive, that's because I am going to defend my staff every time they're attacked, and he can expect that. And, if I sound defensive while I'm defending them, I guess that's going to have to be par for the course.

But the staff work very hard to come here prepared for the things that are under discussion. And perhaps I misheard, but in the member's discussion of his frustration that we didn't have every item of every public accounts dating back to

2012-2013, which I assured him we did not, I sensed in there some suggestion that that was because we weren't prepared.

And what I wanted to make very clear to the member is that we are prepared and I am prepared to answer any question he asks. But if he wants to take me line by line through the 2012-2013 public accounts, we have a choice. We can take a recess and we can go get those books and we can have that discussion here, or he can do it at Public Accounts Committee.

But I heard in his presentation some suggestion that we weren't prepared, and on behalf of the staff, I take exception to that and I am going to defend them when they are attacked, and that's the way it's going to go.

So he can accuse me of being defensive, but I take that role as a minister of defending the public service against the attacks of the opposition very seriously, and I am going to continue to defend them.

So I think—you know, he asked a question about how do you make the decisions about which budgets go up and which budgets are frozen and which budgets go down, and there's various information that is provided.

In some budgets, it's just the adjustments that happen because things change. In fact, you look in the Labour and Immigration line, you will see what appears to be a large decrease. What that is is the impact of the end of the relationship with the federal government for funding of settlement services in Immigration. So while, you know, one cursory look at it might lead someone to say, oh, my goodness, the Department of Labour and Immigration has 28 per cent less money, how are they going to do what they're going to do, in reality, what that has to do is the—is with the ending of the relationship on immigration.

So, in some departments, like we talked about Agriculture, and I think much of that is due to an expectation that this probably won't be as good a year as last year. Maybe it will be and that would be great, but it may not be. And there'll be more discussions there.

And we do also seek, throughout government—and we talked about this in the budget—to deliver services more efficiently, and we have discussions about how to do that, and what we might reasonably expect has a result.

For example, I think, as we've talked about before, the move to amalgamate the regional health authorities down from 13 to five did result in some savings in the health-care budget. When we made that decision, we anticipated it would result in some savings; it has, and it continues to result in some savings. So some of those decisions get carried forward.

I think we did say, very clearly, that we're going to continue to look for those kinds of efficiencies. So that's how those decisions are made. And, absolutely, we are going to do our best to maintain expenditures within those levels. But, it is also true that the, you know—70 per cent of the services that are provided with this budget are services that are front-line services. They're services like health care; they're services like education; they're services to families; there's things like child care that I know the member for Arthur-Virden (Mr. Piwniuk) has—is very concerned about continuing to provide.

So it does happen often, in the course of a year, that you have situations where the services that you're providing—there's a higher demand, there's a higher volume than you expected. And so you don't make the decision that, you know, that's it; we've done the budget, so we're not going to provide any more services this year. You continue to provide those services. That can result in an overexpenditure. And during the year, you also look for opportunities to ensure that you're being more efficient in other parts of the budget. That's how the process works.

So we are committed to this budget; we're committed to managing the budget. But I do have to say to the member, if we find ourselves in a situation where we're fighting a flood, or we're fighting a forest fire, or we find ourselves in a situation where we have more people who are in need of core services, that may mean that we make decisions to spend more money. And I don't think that he would expect me—and nobody would expect someone in government—to go to somebody who's experiencing a natural disaster and say, I'm sorry, I'm not going to put out that fire because that would put me over budget this year.

The budget is a living, breathing document. It gets managed throughout the year. Sometimes, there are situations where you need more money than you thought you needed at the beginning of the year, and you make adjustments, and you try to find efficiencies in other parts of the government to offset that. And that is the way that every government—and

any discussion that I've had with any Finance minister, that's the way that everybody makes those decisions and manages that budget.

**Mr. Chairperson:** Just before recognizing the honourable member, another quick note from the Chair's notes, as it were. In question period, one of the ways that the Speaker keeps the conversations as civil as possible is we try to avoid having a direct conversation between the two different sides. And the tactic that's been developed over the years is that questions and answers are directed through the Speaker. So that's why we get up and we say, you know, Mr. Speaker, and we don't refer to each other in singular pronouns; it's usually the honourable minister or the honourable member.

Now, we've been doing really well in this section and there's been a couple of questions and answers that have gone back and forth which have, I sense, become a little bit more personal. So I'll ask all—everyone participating—to just try and direct your questions through me, you know, just strike out Mr. Speaker and put in Mr. Chairperson, and to use more of the language that we use in question period. Because Estimates is an extension of the House; it's an extension of the QP process. But yes, I just wanted to put that out there for folks to keep in mind.

So now recognizing whoever's next, honourable member for Morden-Winkler.

\* (12:10)

**Mr. Friesen:** One thing in the context of reducing certain areas of core government; could I ask the minister to indicate what measures are then undertaken. You know, we would imagine, of course, that even a freeze of expenditure, if we're applying the same discussion from previous, we'd talk about the fact that, you know, inflation would kind of necessitate an increase to a budgetary amount, just to keep up for expenses. So what it took to run the photocopier last year may not be what takes to run the photocopier this year.

So I'm wondering, then, with the decision to cut or freeze seven departments and increase funding to eight, what measures, then, are undertaken by the minister in the context of achieving those savings? Are these things done by holding back, like, not proceeding to arbitration in terms of wage agreements? Are they done through not hiring when there are positions become available?

Basically, is there a framework that the minister provides in terms of making recommendations to

these departments to say, okay, here's my plan. Here is my goal. Go realize it, and this is what we'd like you to keep in mind in terms of the backdrop, the framework. Does it include a freeze on capital purchases? Does it go to other areas as well? Efficiencies might be part of that, and I would just ask the minister to comment.

I think that is general enough that I will have the approval of the Chair and I hope that I will have the goodwill of the minister.

**Ms. Howard:** Well, I'm—I don't know what they're—a bit surprised to hear that the member opposite believes that there might be difficulty in achieving even a freeze in departmental budget when he's been advocating a \$500-million cut across the board to government that nobody will suffer from. So I don't—maybe he's got some magic solutions that I don't know about that—I'm be happy to hear what those are, what his plan is to cut \$550 million from the budget without impacting anything that anybody does. I'm all ears because if there are things like that that he thinks that can be done, I think he should share them. I'd be interested in hearing them.

But the way that we kind of go through how these budgets are managed, it's different depending on the department. A lot of that work happens certainly between the deputy minister and assistant deputy ministers and other managers and Treasury Board staff. And, yes, in some areas it has meant a commitment to vacancy management. I think, you know, we evaluate positions and we evaluate which positions considered front-line services need to be filled right away, and which positions perhaps we should take some time to review and see if there is a way to achieve the same results or a way to achieve some efficiencies that mean those positions can stay vacant for a longer period of time. I think we've made no secret of that as one of the management tools that we use.

We do also, and I think Manitobans would expect, that we try to make decisions based on what are things that must be done and what are things that perhaps are discretionary, that could either wait or could be done at a lower amount, or perhaps are things that we simply can't afford to do right now. And the context in which we make those decisions is a commitment to protect the services that matter most to Manitoba families, and that's why you'll see in the budget where we have put forward increases to lines like health care and education and family services.

Now, I think one of the suggestions of the member opposite was that we should look at not going forward with negotiated wage increases, and that would not be something, I think, that we would entertain. It may be something that members opposite would entertain. But the only way to do that, frankly, would be to bring in legislation that would break collective agreements, and that's not something that we plan to do.

I know that members opposite certainly were prepared to do that when they were in government, to legislate away collective bargaining rights and perhaps they'd be prepared to do that again. But that's not something that we're prepared to do. We'll negotiate; we'll do our best to negotiate fairly with the people that provide services to Manitobans. So, no, we would not bring in legislation to undo collective agreements.

**Mr. Friesen:** So, of course, the minister knows that I wasn't making suggestions to her. I was trying to get an idea of the scope of the areas that she would consider in order to achieve what she has not been able to achieve, which is controlling the growth of her core government. I mean, I would just remind her of the fact that it was only weeks ago that this minister, new to her role, stood up and delivered a third quarter result. And she went to the press and said that this third quarter result was showing the extent to which they were on their way, that they were on track, and they were showing forward motion in terms of matching revenues to expenditures.

Of course, when the media got a hold of it, they took one look, and they said, well, actually, what it shows is that core government spending is still up \$31 million over what they anticipated.

That's the kind of thing that the minister has to answer for. There is a record that she owns. There is a record that her government owns. And it is a record of a core government overexpenditure, a failure to match revenues to expenditures, time and time again—so, when I ask the question to the minister and say, so what do you have planned in order to hold down departmental spending?

We realize that she is just one person around the table, but we do understand that she leads Treasury Board and she's part of all these high-level groups. She has influence. She has sway. There must be messages that she's sending through departments, and we're simply asking for a framework. So how does a department like Agriculture, that spent more

than its allocated amount and now is supposed to spend far less than that, how is the department supposed to achieve the savings?

I don't want to put words in her mouth, but I'm saying it—money has to come from somewhere. So will she decide that—positions that become vacant will not be filled? That would be one way that she could move in that direction. I don't know how far down the road that kind of measure would take her in one year. It would probably take a number of years for that to derive a benefit.

But I'll just ask her again, so what goes into that equation? And perhaps the question I should ask, then, is, is it a hard cap when these departments come back and perhaps want additional authorized amounts? Will she be saying no to them because of this? And perhaps at the same time, and I think that this is some place where she will take comfort—I'm on page 9 of her budget estimates—that is clearly within the context of our discussions—and, for instance, I'm noticing there it just shows for core government that, you know, at the same time, Family Services will increase by 3.9 per cent. That's probably their largest increase to departmental area spending. Can she just—you know, and I understand, too, this might be something where she says, well, go see the minister. And that's fine. You know, if she decides it's too drilled down, and she doesn't want to comment on that, I accept that for the purposes of these discussions.

I'm just saying that there is an area here in which our discussions must be seen to reflect—she's the minister for Finance, so I can go to departmental areas and talk to these ministers, but she is the one who is responsible for the overall budget. I'm wondering what her relationship is. Is—can she comment on the 3.9 per cent increase to that department and indicates, like, what that accounts for and whether she thinks it's achievable?

**Ms. Howard:** I think one of the things the member asked, is there a hard cap? Will I be saying no to departments that come forward and need more money throughout the year? And what I would say to that is, well, that will depend on that circumstances of that ask. If we have a year where we have many forest fires and Conservation comes forward and says they need more money to fight forest fires, absolutely, I'm going to say yes. Yes, fight the forest fire. I'm going to say yes to that.

And if that means that next year, we have an overexpenditure in Conservation and the member

opposite wants to take me for—to task for overexpending in Conservation because we fought forest fires, I will take that. I accept that. I think that's a responsible decision.

There may be an overexpenditure in some of the services—in some of the areas where you provide services to vulnerable people, especially services that are legislated. We have a commitment and are making efforts to ensure that we don't have as many children in care as we do. But I will say to the member, if there is a child who is in need of protection and the Family Services budget is over budget, I am not going to say, no, leave that child in danger. I'm not going to do that.

So we will manage throughout the year with these departments, and he says I have to own my record; I own my record.

\*(12:20)

As we've said many, many times around this table, we made a decision, like all governments made a decision. In 2009-2010 when the great recession happened—the great recession that has been called the great recession by leaders like Minister Flaherty, leaders like President Obama, certainly not a term that I came up with, despite the members opposite's viewpoint that this is a figment of my imagination. When that recession happened, we made the decision to go into deficit to provide stimulus funding to protect jobs, and I don't apologize for that decision. That was the right decision. If we had not made that decision, we would have put the province of Manitoba into a deeper recession, and we would've been offside of every government in the western world, so I don't make any apologies for that.

I can answer some broad general questions about departments. The reality is, if he wants detailed information, he is going to have to go department by department to those Estimates and ask that information.

I am confident that the Department of Family Services has a sound plan that is going to require management throughout the year. There is no question that costs have been rising in that area. There is no question that those continue to be pressures on our budget. But I am confident that, working together with them, we can manage the budget and that they have been provided an adequate increase. But, yes, it may happen that I am wrong on that. It may happen that they need to provide more services to vulnerable people.

And, if the option that the member opposite is suggesting that I would say to departments like that, nope, I'm sorry, that's it. There's a hard cap. I don't care. I don't care how many kids it hurts. I don't care how many families it hurts. That's it, we're not spending any more money—no, I'm not going to do that. And if that's the kind of minister he would be, well, I feel sorry for the people of Manitoba, but that's not the kind of Finance Minister I am.

I believe there are more efficient ways to deliver excellent services to Manitobans, and that thinking is what was behind the creation of the Lean Council. We have had some experience applying lean management techniques already in government where we've seen some results, and we believe that there are more results that we can see.

We also believe that in doing that we need to engage even more with front-line workers who have very good ideas for how they can get better results for Manitobans more efficiently and spend more of the time on the work that they are trained to do and that they want to do. And I'll give you one example of, I think, where we have seen success in the past.

This is a story that I got to hear, I think, while I was in the backbenches and had a meeting with some health-care professionals, and they told me this story of a technician who worked at—I believe it was CancerCare and worked in the pediatric part with kids. And at that time, they were administering general anesthesia to kids who were undergoing treatment, and they did that because you had to make sure that the kids stayed still while you were doing the treatment. And it was very expensive and it was very traumatic to those children to have general anesthesia and to their families.

And this technician, who probably had children of his own, observed that, you know, maybe if we brought in a DVD player and some videos, we could achieve the same effect and have the kids still and distracted and do what we needed to do without the cost, the pain, the risk of general anesthesia. Now, that individual had to fight to get that idea accepted because at the time, the people who were in charge said, well, you know, we don't have a budget to buy a DVD player. Now, we have a big budget for anesthesia, but we don't have a budget to buy a DVD player. But he persisted and brought that innovation in, and now that innovation is celebrated. It has won awards for him. And so children, instead of having general anesthetic, watch a cartoon while they're getting treatment. It's better for those kids. It costs

less for the system. It's less risk. That is an example of the kind of efficiencies we want to continue to find and provide and work with our front-line staff to do.

And I—you know, it is perhaps in some ways a more challenging road than the road of cutbacks and layoffs. You can cut back and lay off people and you are assured of savings for one year. But, as we have seen in the past, when those decisions were made—and I'll give the example in the 1990's in the health-care system, which I'm more familiar with. There was a decision made, not just by the government in Manitoba, but governments across the country made this decision that we were not going to anymore fund as many training positions for nurses, so they cut back the number of training spots for nurses. They cut back the training spots for doctors. And that decision saved money, absolutely. Not a doubt it saved money in that year, maybe saved money for a couple of other years.

But then we came to office, what did we find? A huge shortage of nurses and doctors, and that shortage meant that we had to pay more money to recruit people. It meant that we had to pay more money in overtime. It meant that people waited longer times to get the services that they needed, and we're still dealing with the effects of those decisions. We've made some progress, but we still—when you take out a generation of health-care providers, as the former government did, you never completely recover from that because those nurses who would've been trained in the mid-'90s, who weren't in those seats because those seats were eliminated, now they're not there to train other nurses.

And so we could make short-term decisions that would absolutely reduce the deficit, but the effect on Manitobans would—and the effect on families and, frankly, the effect on the economy, would be long-term and far-reaching and deep. And so we have made what I think is a harder path, admittedly, to seek more efficient ways to provide excellent services to Manitobans while responsibly balancing the budget. And that, I know, is going to be a key philosophical difference between us and it's—I'm happy to continue to have a debate about it and probably will for the next couple of years, but I do firmly believe that that is the path to responsible stewardship of the budget and the finances of Manitoba.

**Mr. Friesen:** I wasn't actually sure that I would get another chance to offer a reply. The minister seemed

to be on a roll there. But, you know, let me just say this, and the minister understands it as well: We understand that she will be completely on message with trying to spread, you know, stories about fear mongering and all the kinds of drastic messages they try to put out there to scare Manitobans.

But the reality is that she understands that she's sitting on the biggest one-time increase to taxation to Manitobans in modern history. I can look at her departmental Estimates right here, and while she shows that she is going to try to achieve a savings of 2 per cent across department, at the same time, she is forecasting a 5 per cent increase in income taxes. She is forecasting a—and this is forecasting not budget, but actually coming in—we are almost there, we are two weeks away from closing off this fiscal year, 6.4 per cent in other taxes, which is the result of the PST and other taxes, the widening of the RST. She's anticipating a 3.8 per cent revenue increase from net income of government business enterprises, and that may very well be revised because of some of the numbers that are coming out of Manitoba Hydro and the profits that they have derived. Now, that depends, of course, on printing date, when this document was printed and when the third quarter results showing some of those revenues were printed.

So this minister tries to send a message that says, oh, you know, it's—we're not prepared to do draconian cuts. But every Finance minister across Manitoba has the same challenge. Hers is not unique, and as much as she'd like to say that the opposition is calling for draconian cuts, every Finance minister has the same challenge, and that is to find areas of savings. What we continue to say is that every jurisdiction seems to be doing better than this one at achieving that. And that's a very, very important issue. It's an important issue for taxpayers, and so, you know, every time the minister tries to falsify the nature of our lines of inquiry, we will be troubled to correct the record.

In any case, here's a question just to close off the morning with, and that is in the Estimates, and I could pick any page but I just see it here on page 25. I'm looking at Corporate Services. There is just a technical term that I might not understand. I've been comparing it to other years of departmental Estimates. There's a line that indicates, under Salaries and Employee Benefits, Less: Allowance for Staff Turnover. Now, these are Estimates of Expenditure and it's indicated as a negative amount. So it would indicate a revenue of 239. What does that refer to?

**Mr. Chairperson:** The hour being 12:30, committee rise.

### EXECUTIVE COUNCIL

\* (10:00)

**Mr. Chairperson (Tom Nevakshonoff):** Good morning. This section of the Committee of Supply has been dealing with the Estimates of Executive Council.

Would the minister's staff and that of the Leader of the Official Opposition please enter the Chamber.

Floor is now open for questions.

**Mr. Brian Pallister (Leader of the Official Opposition):** I wanted to tell the Premier he needs to have his head up today. I've doubled up on my backup gang here, my troop. And I wanted to introduce to the Premier and his staff, Phil Joannou, and he's with us today, as—and mention Rob Pankhurst again.

So, obviously, this contracting of STARS issue has touched a lot of nerves. We know that the union that represents many government employees has expressed its concern yesterday, as did we here in the House, about the lack of good value on the dollar when it comes to this contract. And so there was, I understand, some type of press event yesterday held by the Manitoba Government Employees Union expressing their concerns about this contract and its long-term implications in terms of resources wasted.

So, again, I guess I just would ask the Premier, it seems that cost comparisons weren't done, due diligence wasn't done, rules were broken, all coincidentally to announce a long-term contract a week before the cut-off date for communications prior to the last election, and that creates a, naturally, a suspicion that this was done more for political motives than for the good of the people of Manitoba. Now the Manitoba Government Employees Union is expressing their concerns. I wonder if the Premier wanted to comment on their concerns.

**Hon. Greg Selinger (Premier):** I didn't see the communication from the Manitoba government's employees union. I'll try to get a hold of it and see what they said, but it's entirely within their purview to comment on any issue they wish to comment on, and we'll take account of what they said.

And the reality is, as I've explained before, is that this service had been extremely valuable throughout the more intense period of the

2011 flood, and in June of 2011 it was deemed advisable to continue the service. Many communities were still in a state of emergency. A lot of recovery was still going on, and still is in some cases going on, and the public had been well served by this service in terms of the operations that had been taking place, and lives were saved and people were brought to health-care facilities in—when they needed it in an urgent manner. So it seemed advisable during those kinds of conditions to continue to offer this service when it had performed well up to that point.

**Mr. Pallister:** Well, I recognize that the Premier's communicators are run off their feet filling in for ministers who aren't available for comment lately, but I'm surprised the Premier isn't—doesn't have that information—I'll just table it here—thought he would have it. Was a—this is an article from yesterday morning, 9:52. So with all those communicators I would've thought he would've had this, but I'll just table it and we'll refer to it as we go. This reaffirms what I said earlier, but it goes on to say that CBC News has connected with five air ambulance helicopter services across Canada, and three of the five had said that they would have been interested in bidding on the Manitoba contract had it been tendered.

Again, it is, of course, clear that the government departed from its own rules when it chose to not to tender this enormous contract, but it's also clear that there were other companies that would have been interested in bidding based on this article. So, again, I'll ask the Premier if he doesn't believe, in hindsight, that this was a mistake, and if he doesn't realize, in hindsight, that we could've at least had an opportunity given to other companies, including Manitoba companies, to have had a shot at doing the work and perhaps had a better value to the people of Manitoba with better service as a consequence.

**Mr. Selinger:** We canvassed many of these questions yesterday, and I indicated earlier that at the time the service was brought in in '11, and prior to that in '09, it was the only full-service emergency medical system that used a helicopter. It wasn't just a question of having a helicopter and a first-aid kit; it was a question of having a service with experience.

And I read into the record, the very strong track record of the STARS organization starting in 1985, and all the commendations and awards they had won over the years for the services they had provided. And I'll see if I could just find that document again.

\* (10:10)

But the reality was is that they had a very strong reputation in terms of providing the service. And when the department canvassed other full-service operations for air helicopter first responder or paramedic service, there were none that were available to come to Manitoba that had the qualifications necessary at that time. Certainly, other companies were interested in it, but we were looking for continuity of service at a time when the population in Manitoba was quite stressed coming out of the most significant flood we'd seen. And we wanted to make sure there was continuity of service, to make sure lives were saved.

And the Auditor General's report, if I recall correctly, on page 161—I'll just verify that—indicated that a feasibility study had suggested that the service could save somewhere between 35 and 50 lives annually. So that was the thinking behind it at the time. There was a recognition that it was going to be more expensive to provide the service, regardless of who provided it, because of the population concentration characteristics that are in Manitoba and the fact that there was also very significant investment in ground services for paramedics, ambulances. More paramedics were hired—over 700 paramedics were actually trained and hired since 1999. And so that was very significant investment on services on the ground, and it was part of a total service that was being offered in Manitoba at a critical time.

So the companies that the CBC talked to, I understand, were helicopter companies, not air ambulance companies. So we're glad that there's companies interested in providing the service, but at the time we were looking for continuous service to save lives. That's really what it came down to.

**Mr. Pallister:** I should—I'm sure the Premier wouldn't want to mislead in his comments, and the actual comment by the Auditor General in respect to helicopter ambulance program on page 161 doesn't refer to STARS specifically. It simply says, Health estimated that helicopter—a helicopter ambulance program in Manitoba will save 35 to 50 lives. It didn't refer to STARS specifically, and, of course, there was an option available to the government which they had availed themselves of previously, which was to hire STARS on a contract basis of a shorter duration. They could've done the same here. They could've hired STARS for a term and allowed a proper tendering process to take place during that period, without interruption of service, but with the opportunity for other companies to bid on the service

subsequently, rather than guaranteeing one company a 10-year contract, which is what the government chose to do, for some reason, without due diligence, as the Auditor General has reported.

They chose instead to throw a contract out to STARS for a 10-year period, which appears to be, according to the Auditor General's numbers, somewhat excessive. Now, we can't determine that because we don't—there was no free market opportunity here for other companies to bid, which one particular—in the CBC article the Premier has in front of him, at least one particular company owner says he finds shocking. Certainly, I think Manitobans do too. So I would want the Premier to acknowledge that the—far from the implication he's made in his comments that somehow this was the only way to save lives in Manitoba was to give a 10-year contract to STARS, quite the opposite is true.

And the Auditor General, clearly, in her report, states that a helicopter ambulance program in Manitoba will save lives. That's wonderful news; that's great to hear. But nowhere in her report or in the work of the Health Department is there an implication only one company's capable of doing so. Would the Premier at least acknowledge that to be the case?

**Mr. Selinger:** I'm just looking at the article. The article indicates the Province says before it signed the agreement with STARS it connected with two companies, Ornge and Helijet, but determined neither could do the work in the timely fashion that was required. And it also notes in the article STARS did not—did note that, as with Manitoba, neither Alberta nor Saskatchewan tendered the air ambulance contracts.

So this organization had—as I indicated earlier, had built up a stellar reputation for providing service starting in 1985, and then, in 1991, started getting contracts from governments to provide services in Alberta for the cities of Edmonton and Calgary—well, for bases in Edmonton and Calgary, let me be clear about that—but to serve the areas, the regions around there. And that started in '91. And 2001, a decade later, they received a prestigious program of the year award from the international Association of Air Medical Services. And the founder and chief executive officer, in 2007, Dr. Gregory Powell was made an officer of the Order of Canada. And, in 2010, they celebrated their 25th year of service. So the point I'm making is is that the organization had provided good service in Manitoba in 2009 and good

service again in 2011, and there was a public expectation that the service would continue, particularly during a period of recovery from a very major flood, and it seemed advisable to provide that service to ensure that lives would be saved. And so that was the rationale behind it.

And there was some checking around to see if other services were available, not just helicopter services but air ambulance companies. The people indicated in the article are not air ambulance companies; they are helicopter companies, which is an important component of a helicopter service but not an indication that they're able to provide a full air ambulance service right away. So they might be able to do that over a period of time, and I have no doubt that with enough lead time and preparation they could provide a service. But the point that's being made here is this was an air ambulance service with a proven track record, both inside of Manitoba and outside of Manitoba—so.

**Mr. Pallister:** Thank you. What the Premier is doing is making arguments for the weaknesses of his own government, and what he's doing is making arguments that demonstrate clearly why the Auditor General is so concerned about the irregularities and the failure of the government in terms of its waiving of competitive bids in—on page 409 of the AG's report, she refers to the problems created by the waiving of competitive bids.

What the Premier is doing is, through his demonstrated comments, he is making the case that the government purchasers should make excuses. He's actually suggesting that—implying that the only way that we should offer tenders—the only people we should offer tenders to are people who already have, for example, built the buildings that we lease space from and outfitted them in advance. It's ridiculous. He's suggesting we should only lease vehicles from companies who pre-purchase them. He's suggesting the only people who should be eligible to bid on government jobs are the people that have already done the capital investments necessary to provide the service immediately, and that's not how we do business. That's not how anyone does business.

This is a clear illustration of why we have a problem with a loss of our revenues from our taxpayers, because the government sole sources so many contracts and does not use the competitive pressures out there to get the best prices possible. This government makes excuses. The Premier is making excuses right now.

On a contract of \$159 million, over 10 years, he's saying, well, the only people who could bid on that are the people who could give us the service right now. That's the argument he's making and it is not a legitimate argument. Clearly, we could have hired, as the government had done prior, on a term, and allow other companies to submit bids. That's how the bidding process works in—on projects of this nature. The Premier is demonstrating either his lack of understanding of the tendering process or, more seriously, a willingness to make excuses for not using the free-market economy that we have around us in this country and in this province to benefit our taxpayers by getting the best value and the best price. Either way, these—the demonstrated failure of the leadership of this Premier on this file is becoming more and more evident as we speak about this.

Now, the fact is, here—the Premier spoke yesterday about Manitoba and essentially suggested that we should pay double or eight times as much because of our geographical realities. That's a bizarre statement. You know, the province of Alberta, from the data in that same article I provided the Premier, employs STARS. They flew 1,688 missions, averaging a cost of \$18,661. STARS in Manitoba flew 177 missions for a third as much, so, in other words, one-ninth as many missions for one-third as much money—one-ninth as many missions for a third of the cost. In other words, we paid a multiple three times as much per mission to STARS through the arrangements this government made without tendering.

\*(10:20)

Now, he can argue that it wasn't tendered in Saskatchewan or Alberta all he wants. The fact is, somebody in those governments negotiated a hell of a lot better deal than this government did when it came to paying STARS for the services they offer. And don't blame geography for that. I'd like the Premier to comment again, and I don't want to hear this geography excuse, because we all understand in this room the geography of British Columbia, Saskatchewan and Alberta is challenging as well for a helicopter ambulance service. So I don't want to hear that kind of excuse again from this Premier, because if he makes it, it's a feeble excuse, and he should know that.

Now, why would the Premier defend an untendered contract being given for a multiple of the cost to our taxpayers that the residents of Saskatchewan are expected to pay, the residents of

Alberta and other jurisdictions as well are expected to pay for the same service? Why is that?

**Mr. Selinger:** Again, I just have to point out to the member, he gets to ask the questions, I get to answer them. He doesn't get to determine what the answers will be. And that kind of arrogance from the leader opposite is just so typical of what we've seen from him.

Yesterday, he denied that he was committed to two-tier health care. And let's just review the record on that. In 2000, when he was running for member of Parliament under Stockwell Day, he praised American-style two-tier health care and said it was something any common-sense person would want to discuss. And now he denies that he says those things. He says, that's not my position. That was his position in 2000.

In 2005, the member for Tuxedo (Mrs. Stefanson) said that patients should be allowed to purchase MRI services. Those aren't the words of the opposition, but it was a position of his colleague in caucus.

In 2012, when he was running for leader of the party, on April 11th, he noted that the Gary Filmon government in which he was a cabinet minister was one of the finest Manitoba's been blessed with. That's the same government that allowed user-pay credit-card medicine for at-profit clinics. As a result, while he was a member of that government, they paid \$2 million in fines for violating the Canada Health Act through the purchase of private services in violation of the federal law.

It's also the same government that attempted to privatize home care and wasn't able to do it, because the—it was—there was no alternative to the system that was being provided publicly in Manitoba that was more price-competitive without dramatically reducing wages for the people that deliver the service.

In 2013—more recently—the opposition leader called two-tier health care a system that we need. That's on the public record. Further, when asked about his opinion about American-style for-profit health care, he said, I am a guy who believes that the private sector offers some competitive advantages with respect to health care. And, when he was asked, during the same interview, whether Manitobans should be allowed to cut the line to buy services, he said, I think that's what Manitobans want to see.

And in the Legislature on December 2nd, he stood in the House and said the two-tier American-style health care is a better way to do things. So, you know, that's a failure of leadership on his part. He just fundamentally fails to understand why health care needs to be provided universally, based on need, and accessible to Canadians and Manitobans, no matter where they live.

And that's part of the discussion about this STARS service as well. It goes to the same approach. The need for the air ambulance service became evident in '09 during the flood. It became evident in 2011 during the flood. And there was a desire to provide that service. And there were specific characteristics of the Manitoba population in terms of its distribution that meant that it was going to be more expensive. And that was understood by the department. They still felt it was important to provide that service outside of Winnipeg to people, because it had the potential, as the Auditor General's report identifies, to save up to 35 to 50 lives.

And it is true, the auditor's general doesn't say that it was only possible for that to be provided by STARS, but STARS was the organization that had done the job successfully in '09 and '011, and it had done the job for several decades starting in '85 in Alberta. And it was a company, a non-profit organization that had been contracted for in Alberta and Saskatchewan without tendering. And, if he'd like to discuss failures of leadership, I hope he will take that up with the premiers of those provinces who were in place at the time when they decided to do it without tender.

The organization had a stellar reputation for providing service and it wanted to provide it across the Prairies to governments that were interested based on their successful track record. That is not a failure of leadership. That is a leadership move to make sure Manitobans get the service in a timely fashion to save lives. And during the period that the service was being offered, several missions were flown in Manitoba that were very important to the health and well-being of Manitobans. They saw very significant benefits by keeping the service operating during the period from June 11 until the final contract was negotiated. And, as the member knows, there is a termination clause in the contract if people are unsatisfied with the performance and that could be acted upon. The reality is the service that was being looked for was an air ambulance paramedic service provided through helicopters, and it was understood that there would be—more costly.

And when the member looks at the press release that he's cited to me here today, at the bottom of the page where the cost per mission is higher in Manitoba, he fails to identify that the number of missions is a quarter of the number of missions—actually less than a quarter of the number of missions in Saskatchewan and one eighth of the number of missions in Alberta. In other words, the need for the service is less in Manitoba even though the population is roughly equivalent to that in Saskatchewan. So, when you have lower volumes, the cost per unit of service is going to be higher just on the economies of scale, and I think the member fully understands that.

So, when you think about it, four times more missions in Saskatchewan for half the price. If it was a straight economy of scale thing, it should be a quarter of the price not a half the price. Manitoba was doing at about double the price as Saskatchewan but only doing a quarter of the missions. Other people were also being served by the 700 additional paramedics that'd been hired to provide services on the ground in Manitoba, and when issues came up with respect to the paramedic service, we took the advice of medical professions—medical professionals on whether it should be operating and when it should come back into service after it was stopped operating with better oversight. So the whole point here is to make sure rural Manitoba gets access to an air helicopter ambulance service that has a record of providing good service, and where there are problems to rectify those problems and continue to provide the service, and that's what has been done not only here, but in Saskatchewan and Alberta.

**Mr. Pallister:** I'm happy that the Premier has put all this false information on the record. It demonstrates his lack of understanding of the issue very clearly, and it also demonstrates his desperation and willingness to put false information on the record.

I invite him to table any of the documents he was reading from in which he misrepresented my views and opinions on issues, and if he would just table those I'd like to have the chance to see exactly what he's quoting from, because I recall the comments that I made. He misrepresented each one of them except one, and that one was my willingness to see us have a discussion. If the Premier doesn't want to have a discussion and just wants to shout two-tier health care every time someone raises an issue about how we can improve delivery and use the private sector effectively, he can do that, but he'll be

in the backwoods of the leaders of this country when he does it.

The reality is this particular government has used privatized provision of health care more than any previous one. The reality is this particular government has outsourced services from places like The Maples clinic, and western clinic and various others, and I'm not condemning them for doing so. But the Premier shouldn't run and hide from his own record. Well, he should in most respects, but in that respect he doesn't need to because the fact of the matter is that he's misrepresented it in every way. If he's willing, he doesn't need to heckle me from his seat. He can just table the documents he's referring to and let's see if he's telling the truth or not. How about that? I don't think that's too much to ask.

Now, in respect of this issue he's basically saying that economies of scale, which was the argument by the way, that was made by Health Manitoba when they recommended that we get an air ambulance. They said, if we work effectively together we can get a better deal. Okay, well, we didn't get a better deal. We got a worse deal. We got a worse deal because the government chose not to tender the thing. They chose to hire somebody for 10 years, a week before the deadline for publication of information before the last election. That's what they chose to do, and that's—the Premier is doing an inadequate job of defending that.

\* (10:30)

So what he gets, as a consequence, is the truth thrown at him by people like the Winnipeg Free Press editorial board who said today, the Auditor General's findings on how the Selinger government—I'm sorry—how the current government chose the non-profit STARS organization to run a helicopter ambulance here reveal the heavy cost of decisions made for political benefit despite warnings the Health Department was ill-equipped to design such a service, the NDP government rushed the process, essentially allowing the Calgary-based group to write its own ticket. As a result of the government breaking its own tendering laws and doing no real value-for-money work, the \$159-million, 10-year agreement with STARS costs Manitoba between two hundred—Manitobans between 231 per cent and 618 per cent more than helicopter ambulance service in other jurisdictions. And it goes on to say the auditor found oversight of the quality of care was scant.

I mean, perhaps when the Premier makes these vague, general arguments about philosophical differences we have he's attacking the Auditor General at the same point, and I wonder why he would do that, because it's the Auditor General who has made the comments, it's the Auditor General who has expressed concern about the way in which this was done, and I'm raising the questions and concerns that emanate from the Auditor General's report. So if the, you know, if the Premier wants to, out of desperation, continue to attack me, that's fine; it reveals far more about him than I. But the fact of the matter is it's right here and he should respond to it rather than simply try to divert attention away to something else.

Now, he references \$2 million in fines in the 1990s, and he's fond of referencing a couple of decades ago, I suppose because he thinks it makes his record look better or perhaps because it simply diverts attention away from his own record. But \$2 million in fines look pretty small compared to a \$159-million contract untendered which perhaps cost Manitobans eight times as much as they should have paid. And so the Premier needs to focus on the real issue here, and the real issue is his competence and his government's competence in dealing with issues like this.

Now, if he continues to defend this decision, he is clearly defending what the Auditor General has expressed concern about in chapter 10 of her report, which is the propensity of this government to use untendered contracts on an increasing basis. If he's willing to defend that, then he is encouraging, by the absence of his leadership, this practice to continue, a practice which the Auditor General has said demonstrates that acceptable circumstances are not being demonstrated, that proper approvals for awarding of untendered contracts are not being obtained, that most contracts are not being disclosed, that—and this matters. This is an issue that matters. It matters to the people of Manitoba. It matters because it determines value for money and because this government, like all governments, is limited in access to that money.

This Premier needs to understand he cannot simply keep going back to the people of Manitoba and asking them to pay more because he's unwilling to do the necessary due diligence to get value for money. And he should not be doing that. Now, that is what the Auditor General is saying in these reports and this is what I'm asking the Premier to address. Now, he can keep going back to the '90s, but as

he does that, he demonstrates his unwillingness to deal proactively with the future decision-making challenges that he should be facing.

So I ask him again to comment in respect of this comment by the Winnipeg Free Press: "As a result of the government breaking its own tendering laws and doing no real value-for-money work, the \$159-million, 10-year agreement with STARS costs Manitobans between 231 per cent and 618 per cent more than helicopter ambulance service in other jurisdictions." Would he like to comment on that fact?

**Mr. Selinger:** Interesting in the comments the Leader of the Opposition made that he spent a lot of time going back to the fact that he broke the law of the Canada Health Act in the '90s and tried to minimize \$2 million worth of fines for breaking the fundamental principles of how we should be offering health care in Canada based on need, accessibility, universality, public administration. I know he wants to move away from those things, but he's very, very touchy about that and raised it at least twice in his long question there.

The reality is that he's suggesting that we're not interested in efficiencies in the health-care system. And I've pointed out to him that we have actually been very dramatically improving efficiencies in the system. When he was in office, they created 13 regional health authorities; we've shrunk them down to five. We've reduced administration while hiring more nurses and making cancer-care drugs available to Manitobans free at a time when they most need it, when they're sick with cancer. Did the opposite—fired nurses and created more administrators, and more regional bureaucracy throughout the province of Manitoba.

And I can go into the record of cuts he made in rural health care throughout the province as well, and may have to later on if he forgets it, which he's subject to do. He does always forget the things that he's done and claim purity on everything, and doesn't take any responsibility for those decisions.

The reality is this: We've designed the health-care system to great—generate greater efficiencies. And, during a time of great need, called the floods of '9 and '11, we brought in a helicopter service to make sure the people in rural Manitoba that couldn't be reached overland because of the circumstances they were in could be provided a service that will get them to the medical care they need and save lives. We make no apologies for doing

that. It was very, very beneficial for Manitobans to have that service available.

Then, after that period was—the most—the worst parts of that period were over, but we were still in period of recovery—it was deemed advisable to continue that service based on the successful track record that they had. And that was the practice followed in other jurisdictions as well, including Alberta and Saskatchewan, where they, without tender, took this service on. The Leader of the Opposition may want—not want to discuss that, but that was the practice in other jurisdictions as well.

I also pointed out that, according to the article of March 20th, that the frequency of demand for service in Manitoba was about a quarter of that in Saskatchewan and about an eighth of that in Alberta. And, when you have less demand for service, the cost for the service is going to, on a unit basis, per service, is going to be higher because of the fixed costs, overhead costs, to providing the basic service. The helicopter has to be paid for, the staff have to be paid for, the training has to be paid for, the fuel and the supplies have to be paid for, whether the service is used one time or 800 times. But, when you have lower volume demand, you're going to have a higher cost per service.

And you're also going—and why is there a lower demand for service? Well, there's a couple of possible explanations. One, there's less need, or the service is provided other ways. People are closer to the major population centres and can get to the services more rapidly without it requiring a helicopter. Also, we've increased—hired 700 additional paramedics to provide the service on the ground in a more efficient way with new ambulances and 'techtologies,' such as GPS and new dispatch services, which have been significantly upgraded. So we're providing much more service to rural Manitoba than had been done when the leader was in government, when in fact, they were cutting health-care services in rural Manitoba, reducing the amount of services available to people.

So efficiency is important, but it's also important to provide life-saving services to people when they need it. And the helicopter service was one that was available by a proven operator that had credibility and a good reputation, not only in our jurisdiction in '09 and '11, but also good credibility in other jurisdictions, principally, Alberta, prior to that.

So we take the auditor's recommendations seriously, and we put it in the context of the times

when that service was made available. And we acknowledge that the auditor herself said that there had been studies that showed it could save up to 35 to 50 lives annually. In fact, many hundreds of missions have been flown since that service has been brought into play, and those missions have been very, very well received by the people that benefited from them. And we will continue to find ways to offer that service to Manitobans outside of Winnipeg.

We won't do, as the member said, we won't interrupt that service, but we will look at other ways to continue to make that service more efficient, but one of them won't be two-tier health care, such as the member has put on the record, and seems incredibly defensive about it. I don't know why he just doesn't just take responsibility for what he said over these—over the past decade, over the last 14 years.

**Mr. Pallister:** Far from being defensive, I've invited the Premier to put any evidence that what he has just said is factual on the record, but he refuses to do so, which, I think, states volumes about the credibility of his arguments, quite frankly.

Now, in respect of the other point that he made, the interruption-of-service argument, he's also falsely put on the record that I'm arguing for, and our party's arguing for, by implication, an interruption of the service. Quite the opposite, as you well know, Mr. Chairman, I have never argued for that here nor anywhere else. In fact, I've suggested to him that it would have been quite possible for him to retain the service and continue to operate it, as had been the case in the past, while using a proper open-bidding process, a proper tendering process.

\* (10:40)

He guesses at the reasons, but he has no way of knowing and his expertise is questionable at best when it comes to the nature and workings of the private sector and a tendering environment. So, he's guessing as to why tenders might have been higher from other services or might not have been submitted. But he does not know because he did not use the process. He did not use it because he chose instead to confer a single sole-source contract on a 10-year basis to a company he says he likes.

Well, that's exactly the argument that the Auditor General points out a number of civil servants make when they don't shop. They like to do business with certain people and so they give them untendered contracts. Is the Premier saying that that's okay to do

in the civil service or is he saying that's not okay to do? By his arguments, he is certainly implying that it's fine, and if it is fine, therefore, it follows, according to the Auditor General, that we have a problem because we're not using the tendering process the way we had agreed to and the way our rules say we should.

So is that what he's suggesting? Is he suggesting that it's good for the goose but the gander's got to be different? Is that what he's suggesting? Is he suggesting that the public service of this province use the same types of excuses he's just used, and that they should do business with people they like? Is that what he's suggesting?

**Mr. Selinger:** It's very obvious the Leader of the Opposition didn't hear my answer to these types of questions yesterday, and I pointed out to him at the time there is a procurement policy. The procurement policy lists four reasons why government would choose not to tender a contract.

One of them is, in the case, a single-source contract to accommodate the procurement of requirements where only one supplier is capable of providing the goods or services.

Another circumstance is a sole-source contract when only one supplier is permitted to provide the goods or services and an assessment verified that any other supplier is precluded.

A third instance is an emergency situation where an unforeseen situation opposes a threat to life, property, public security or order, and the goods and services must be obtained as soon as possible to mitigate the associated risks. Or, in an urgent requirement, when only one supplier is contacted to meet a particular need and an assessment is verified that any other supplier is not feasible or practical.

And it was under the urgent requirement and single-source requirements that the STARS service was brought into play in Manitoba. And, as I've indicated earlier, they checked to see what other paramedic helicopter services were available to meet the needs of Manitobans, and none were immediately available to meet the needs of Manitobans so they contracted for it on an urgent basis as a single source. And, they then continued that service, based on the satisfactory performance of it having occurred in Manitoba, which was also what was done in Alberta and Saskatchewan.

That's the point I've put on the table, and it falls within the procurement policy of the government of Manitoba.

**Mr. Pallister:** Okay, so the Premier's just put on the record that he felt—he feels it's justified for his government to make an exception based on the acceptable circumstances rules of the purchasing authority. He has said that, because it was an emergency, they were quite within their rights to sign a 10-year contract for somebody to provide an important medical service. We agree it's important and we agree that emergency circumstance may have existed during the time or prior to the time the government made the decision.

What we are disputing, and what the Auditor General herself disputes, is that this is a legitimate reason for signing a long-term contract such as the one the government did. They're using the emergency as an excuse but the Auditor General herself has said, as recently as two days ago, it's not a legitimate reason.

Now, the Premier's saying it is, so he's in dispute with the Auditor General, not me. Well, me, too, because I don't believe it's a legitimate reason, either, and I don't think most people do. I think the fact of the matter is they're using an emergency as an excuse for signing a contract that they didn't tender. And the fact of the matter is that unless they believe the emergency was going to continue to exist for the duration of the 10-year period—that's a ridiculous argument to make. And no one does.

We all hope that emergencies never occur again but the fact of the matter is this government perhaps hopes they do on a more frequent basis because they certainly use them whenever possible to make excuses. And the excuse they made in this case was that they didn't need to shop an important contract around and get value for money for the taxpayers in Manitoba because, well, there had been a flood.

Now, we've heard that flood used for a lot of excuses. It's supposed to be the flood of the century, not the excuse of the century. But it's being used an excuse here again today as a reason for signing a 10-year contract that was not shopped around. Now this is, again, what the Premier is doing—is saying it's okay to make these excuses, and he's making one that is perilously stretchy, and how does he possibly expect the civil servants of this province to abide by the purchasing rules and not make their own excuses when he's making a no-stretcher today?

**Mr. Selinger:** Again, what we have here is a situation where the service was provided during the 2011 flood, and there was a public expectation that the service would continue. And it had been a reliable supplier of that service during that period, very difficult period for Manitobans. And as I said earlier, there were still many states of emergency in Manitoba during the June '11 period that went on for several months after that. There was still a lot of recovery and a lot of people displaced, and it was felt advisable to keep the service available to Manitobans because it was saving lives, and that's the priority No. 1 in health care.

Priority No. 1 in health care is to respond to the needs of Manitobans. We also had mounted significant hiring and increase in services on the ground. Over 700 paramedics had been hired over the last decade to provide on-the-ground services.

But all of these things were investments in rural Manitoba to make sure they had timely access to health care, particularly during times of crisis, but all the time to make sure that there was continuity providing that service in the health-care system. And again, I can only point out to the member that that was the rationale used in other jurisdictions such as Alberta and Saskatchewan as well. They decided to go with this service without tendering the contract because they believed the service was a good one and was offering to—was available to meet the needs of their citizens as well.

The auditor has weighed in with her analysis, and we respect that analysis and take guidance from it, but the auditor did point out that there was a feasibility study that indicated up to 35 to 50 lives could be saved annually and that there—it was understood from the get-go that it would be more expensive to provide the service in Manitoba because we have a different distribution of our—first of all, we just have less people than Alberta so the frequency of demand is going to be less. When you have four times more people, you can expect four times more demand. In fact, the Alberta demand is eight times higher than it is in Manitoba, not four times higher. It's four times higher in Saskatchewan even though the populations are roughly the same, slightly smaller in Saskatchewan.

So there was less demand for the service in Manitoba. Some of the explanations I put on the record for that is that people are closer to major population centres where they can get the service without the need for a helicopter,

and we had dramatically improved on-the-ground services to people. But there still were a number of circumstances where a helicopter air ambulance service was the only viable option to meet the urgent needs, health needs of an individual or a family or a particular Manitoban that needed that service. And where that service was needed, we felt it was necessary to provide that service to make sure that their lives could be saved or their health-care needs could be addressed.

So we put the priority on providing good health care to Manitobans and we still put the priority on putting good—providing good health care to Manitobans on a universal basis, on a basis of need, not on the basis of your purchasing power, how thick your wallet is, two-tier health care, that kind of an approach which the member has consistently advocated for in his public statements which are a matter of public record. We take a different approach. We do not violate the Canada Health Act and incur fines and think that's a good idea. We think that following the principles of the Canada Health Act is a sensible way to go, and this service allowed us to meet the principles of the Canada Health Act. This service of an air ambulance service allowed us to meet the urgent needs of Manitobans that are far away from the services on the ground, or in circumstances where they couldn't be reached on the ground.

Some people are stranded in situations. During the flood there was a lot of overland flooding, and some people were in circumstances where they could not be reached by on-the-ground services. The air ambulance went in, provided that service, and in many cases not only saved lives, but helped people get the urgent care that they need. And that followed the procurement policy guidelines which I pointed out to the member.

Now, he asks about the other instances in the report of sole-sourcing contracts at the civil service level, and we have responded to that in the Auditor General's report saying that that needs careful review. The auditor said two things: there should be better documentation when you've sole-sourced a contract to make sure it's done for the proper reasons, but also the auditor has said the thousand-dollar threshold should probably be reviewed because it may need to be revised in view of the fact that it hasn't been changed for 17 years.

\* (10:50)

So we agree with those recommendations. We think the threshold should be reviewed. We think there should be better documentation if sole-source contracts are taken out. But it also notes in the report that the period of review for those sole-source contracts was during the period of the '11 flood when a lot of services and goods were acquired very rapidly to meet the urgent needs of the population during that period of flooding, and so civil servants acted in the public interest. They saw a crisis situation; they knew they had to act quickly to meet that crisis situation. In some cases, people were at risk within a matter of hours of dikes breaching. They were at risk of flood waters rising and putting their homes or themselves in peril. These were very urgent times, and during urgent times public servants make decisions, using their discretion as professionals, to acquire services that will meet the need of the population.

Is that something they intend to do all the time? Hopefully, not, which is why auditor's report will be helpful. It will allow us to properly look at those circumstances and make sure that they're done properly, particularly when there is not a case to be made for an urgent requirement or an emergency requirement, as per the procurement policy.

But during the period—the very stressful period of the 2011 flood, it appears from the documentation provided that the auditor—that many public servants acted quickly to procure services to ensure that Manitobans' needs were met, and that's not unreasonable.

**Mr. Pallister:** Well, that's a phony argument, and he knows it, Mr. Chair.

The Auditor General herself said in comments she made the day that she released her audit that the situation under which the STARS contract was awarded did not meet the requirements the Premier has just elaborated upon. She herself said that these emergency circumstances were not a legitimate reason for awarding the contract. He's arguing against the Auditor General's comments, and then, you know, mouthing words of sympathy towards change which he himself doesn't demonstrate he's willing to admit it is necessary to occur, and the reality is something different from what he portrays again.

I have to ask him: Did his—did the clerk of the Executive Council brief him on the alleged involvement of the ADM, Ben Rempel, in the

organization or participation of—the organization of a protest rally at the Legislature, and if so, when?

**Mr. Selinger:** Before I get to that question, the member opposite has asked me to put on record evidence of his public commitment to two-tier health care, and I do have some of that evidence made available to me now, and I'd like to put it on the record, so that he can remember what he said to the public and not deny it like he continuously does.

Mr. Chairperson, I have a CJOB interview here of May 28th, 2013, and I'll provide a copy to the member: Two-tier health care is here. It's a real fact. It's a delivery system we need.

That's Brian Pallister that said that at the time, or the Leader of the Opposition, if you're concerned about the use of names. I'll take that back and just put it down as the Leader of the Opposition, or the member for Fort Whyte. So I'll table that document so that he knows what he said on the public record during that time. I hope he will take responsibility for it. That's one instance.

**Mr. Chairperson:** Has the honourable First Minister completed his remarks?

**Mr. Selinger:** No. Well, I have for the moment—yes, I've got some other documentation here. I just want to make sure that it meets the requirements that the leader asked for—the Leader of the Opposition asked for. He asked for evidence of what he's put on the record.

I have an additional statement here from December 2nd of 2013 in the Legislature where the Leader of the Opposition—Official Opposition is suggesting that we need to take a look at two-tier health care, and I'll put that on the record as well—provide that to the Clerk.

**Mr. Chairperson:** Okay, before I recognize the Leader of the Official Opposition, both have been dealing with documents and tabling, and the Clerk has just asked me to advise both sides that we need three copies when documents are tabled. So, just for reference.

**An Honourable Member:** We'll get the three copies for you.

So there's some of the evidence that he's asked for. We'll continue to find other ways to bring it up and provide the evidence that he seems to have ignored.

Oh, I do have—well, I've only got single copies. I'll get triple copies and then I'll table it later on. But we'll get triple copies of other evidence of what he's committed to on the public record in the past.

**Mr. Pallister:** Great, I'll look forward to those documents being tabled so that we can prove beyond a shadow of a doubt that the Premier has misrepresented my position on a regular basis and continues to. And I would encourage him to table those as soon as possible, and reread them, perhaps, after he's tabled them.

Now, on the issue of the question I just raised, I'd like an answer on that.

**Mr. Selinger:** Could the member state that question again?

**Mr. Pallister:** The Premier, who has denied to the people of Manitoba and in this House, on many occasions, that he was aware of the political influence that was brought by his government members on an assistant—or associate deputy minister, when was he—when did he first become aware of that?

I've asked him repeatedly in the House and he's answered in seasons. He said spring one time, fall another, summer another. Never answered a specific date. I ask him again, when did he first become aware, but I'm tired of getting no answer from him, so I'll ask him this: When was he briefed by the clerk of the Executive Council on the issue of the alleged involvement of a senior bureaucrat named Ben Rempel in the organization of a political protest rally at the Legislature? When was he first briefed on that?

**Mr. Selinger:** As I indicated earlier, the Ombudsman started their investigation in the spring of 2012, and during the course of that investigation it was the clerk of the Executive Council that brought it to my attention that there had been a role that the former minister of Immigration had played in directing her civil servants to invite people to come down to the Legislature to hear the debate on the resolution about settlement services.

**Mr. Pallister:** So when was that specifically? When was that briefing held? Must have been a shock to the Premier; he must have known the day.

**Mr. Selinger:** And I have indicated that I believe that was in the summer of 2012. It was after the investigation of the Ombudsman commenced. And I believe it was during the summer of 2012.

**Mr. Pallister:** How does the Premier define summer? When does it start? When does it end?

**Mr. Selinger:** Again, the summer of 2012. I'm thinking of the months of July, August, in that period of time, roughly.

**Mr. Pallister:** I'm down to 60 days now. When in July and August specifically was it? It's a briefing that must have shocked the Premier. He must have been dismayed to have learned that he had been betrayed by a member of his own caucus and Cabinet who he has served with for a decade of his life. What day was he briefed?

**Mr. Selinger:** I've got three copies of this information as requested by the Clerk, and I'm going to provide it now.

Again, I said it was during the summer of 2012, and I don't have a date that's more precise than that.

**Mr. Pallister:** I'll ask him again, because he's obviously avoiding the answer, but he knows the answer. And it's—there's no reason to hide. I mean, he's creating a problem here by himself. I'm simply asking him, when did he first become aware of the involvement of his Cabinet minister? He's alleged—he has alleged that he was not aware, even though a senior member of his staff, his head of communications, was aware the day of the rally itself. He's alleged that he wasn't aware until the summer.

When in the summer did he get this shocking briefing? When specifically did he first learn that a Cabinet minister who he has worked alongside, who he must have placed great trust in as a colleague, someone he appointed to Cabinet, to senior positions in Cabinet—this would be disconcerting to any. It's understandable the Premier would perhaps want to avoid the memory of this, because it would be shocking; I get that. But I think now, in hindsight, he must remember the day the briefing occurred. So I'd ask him again, when did the briefing occur?

**Mr. Selinger:** And I've answered that answer for the member. I've said it was during the summer of 2012, and I hope he's heard the answer.

\* (11:00)

**Mr. Pallister:** It's hard to believe that the clerk of the Executive Council, the head of the bureaucracy of Manitoba, would have waited until an alleged general date sometime in the summer—three, four, five months, we don't know, later—to brief the Premier of Manitoba on an allegation that a senior

civil servant in the province of Manitoba was involved in helping organize a political protest rally. That's very hard to believe.

Now, the Premier said earlier he meets with the clerk of the Executive Council on a daily basis. This would mean—this would mean—using just five days a week of meetings, that he had 50, 60, 70 meetings with the clerk of the Executive Council and not once did he discuss with the clerk of the Executive Council an issue of this magnitude.

Now, the Premier in the past has paid lip service to the importance of having a non-partisan civil service, but surely the clerk of the Executive Council would have done something about this allegation, would have become informed about it.

Is the Premier suggesting that the clerk of the— the previous clerk of the Executive Council, not the gentleman sitting here—is he suggesting that that clerk was so derelict in his duties and responsibilities that he did not inquire as to the facts of this case immediately? Is he suggesting that?

**Mr. Selinger:** Certainly not. When the issue came to the attention of the clerk, the clerk raised it with me, and I made my expectation clear that the former minister should fully co-operate with the Ombudsman's report, which the former minister did, and indicate what her role was in inviting people—members of the public through the public service to come down to hear the debate in the Legislature. So that happened, I believe, during the summer of 2012.

**Mr. Pallister:** The Premier is now on record as suggesting that the clerk of the Executive Council did not inform himself of the accuracy of a question raised concerning the conduct of a senior civil servant in the Province of Manitoba in respect of their involvement in a partisan activity.

He's suggesting to this House in his answer that the clerk of the Executive Council did not bother to find out the facts about Mr. Rempel's involvement until the Ombudsman's report came out? Is that what he is suggesting? Not 'til it came out, until it—he became aware that there was an investigation.

Did the clerk of the Executive Council not act to inform himself of the accuracy of the allegations until after he became aware that there was an Ombudsman's investigation being conducted? Is that what he's alleging?

**Mr. Selinger:** No, I'm not alleging that. I'm saying that the clerk of the Executive Council brought it to

my attention during the summer of 2012. That's all I'm saying.

**Mr. Pallister:** Okay, it's becoming clearer, then. So the Premier was not briefed by the clerk of the Executive Council. Does the Premier, in hindsight now, having had the conversation with the—that previous clerk of the Executive Council, did the clerk of the Executive Council make him aware when the clerk himself had become aware of this at the first? Did he make that—did he share that with the Premier?

**Mr. Selinger:** Again, as I've said, the clerk of the Executive Council brought it to my attention during the summer of 2012, and I made my expectation clear that the former minister should fully co-operate with the Ombudsman's investigation, which is what we do with all Ombudsman's investigations.

We expect our—the people that are being investigated to fully co-operate with the Ombudsman and provide the information that the Ombudsman's seeking. And when an Ombudsman investigation is being undertaken, the best way to bring it to a conclusion is to provide the information, co-operate with the Ombudsman, and then let them do their job. There's a due process requirement here to allow them to do their job and to conclude their investigation, see what their recommendations are and be ready to respond constructively to the recommendations, which is what we have done.

The Ombudsman has brought forward a recommendation that there needs to be guidelines put in place for those issues where a public servant and a political official are interacting around an issue that could be perceived as having a partisan character to it and that there needs to be some guidelines put in place to address that, and we've put that in the hands of the Civil Service Commissioner to bring forward recommendations on the kinds of guidelines that should be put in place.

**Mr. Pallister:** That's helpful. So we now understand that the Premier didn't know until the summer or sometime in July or August. I appreciate that he's narrowed it down to 60ish days, but that—the clerk of the Executive Council may have known somewhat earlier. Does the Premier know when the clerk of the Executive Council became aware that Mr. Rempel was not acting on his own on this?

**Mr. Selinger:** Again, I can't speak for the former clerk of the Executive Council in this regard, but I would assume the clerk of the Executive Council became aware of it, and when he did, he brought it to

my attention. So I would assume it's roughly in the same time frame as when I became aware of it, but I don't have any specific information one way or the other on that.

**Mr. Pallister:** I'm back to being concerned again. If the head of the Executive Council, clerk of the Executive Council, head of the civil servants, didn't inquire until after months, weeks had passed, months had passed, didn't inquire as to the alleged accuracy of an accusation that a senior civil—an ADM was involved in organizing a political protest rally, that—that's amazing to me. That—truly, it must be amazing to Manitobans and disconcerting, too, that a senior member of the civil service of our province being engaged in a partisan activity, and the head of the civil service wouldn't even look into it, that's unbelievable. It really is. It really is.

I'll tell you, especially in view of the fact that the Premier's head of communications was in contact—direct contact on the day of the rally with Mr. Rempel, and especially in view of the fact that the Premier's chief of staff was involved in communication with the minister, what the Premier is suggesting here is that his—he has said his office wasn't involved, yet there's ample evidence to say they were.

That his office was aware that a rally was being organized is clear. That his office and his communications staff were concerned about the way of communicating about the involvement of a civil servant and his role in organizing that rally is clear. These things are clear, but what is not clear is why, given the question being raised by the opposition about the involvement of a civil servant, and the question was: Is the government—was the government involved or did the member act alone? Essentially, that was the gist of the question, and you recall it, Mr. Chairman. To suggest that the senior person in the civil service of Manitoba wouldn't want to know whether Mr. Rempel was actually doing that or not is amazing.

Is the Premier also suggesting, then, that the deputy minister of Immigration wouldn't have inquired? Is he also suggesting that the clerk of the Executive Council wouldn't have had a conversation with that deputy minister? Is he suggesting the clerk of the Executive Council would have remained unaware of an issue of this magnitude for months? Is this what he is suggesting?

**Mr. Selinger:** It's becoming clear to me that the Leader of the Opposition may not have read the

Ombudsman's report. The Ombudsman's report said that the activity of the assistant deputy minister was a non-partisan activity. It did not identify the assistant deputy minister as engaging in partisan activity. That was made clear in the report. If he read the report, the entire premise of his line of questioning is not validated by the Ombudsman's report. The Ombudsman's report said that the civil servant did not do anything inappropriate as a civil servant, and that's on the record.

It also indicated that many of the groups that were contacted did not feel that they were being contacted for partisan purposes. Many of the groups were seeking information about what was the future of the immigrant settlement program, and the ADM was responding to that. That's something that we put on the record early. When we discovered that the minister, the former minister, had played a role in directing the civil servant to invite members of the public to the Legislature, we asked the—we expected the former minister to fully co-operate with the Ombudsman, which she did, and then, later on, took responsibility for her behaviour and apologized, both on the public record and in the House.

But the Ombudsman's report does not say that the ADM was engaging in partisan political activity. I would invite the member opposite to actually read the report before he starts going over the moon about them engaging in partisan political activity and then trying to implicate other civil servants as well.

**Mr. Pallister:** Dog-eared copy here of the Ombudsman's report if the Premier wants to read it; he should read it. The reality is the Premier's obfuscating again from the real issue. I'm trying to protect the integrity of the civil servant in question, and civil servants generally, from the ineptitude of partisan machinations by government members. That's what I'm trying to do, and I'm trying to get the Premier to understand this is a serious issue and he should address it as such.

Now, if an allegation like this is made of any civil servant, it should be investigated immediately, and it would be, and I expect it was investigated immediately by the deputy minister, who would have inquired of Mr. Rempel that very day as to the nature of his involvement and participation in organizing this rally. And the civil servant—the civil servant's innocence in respect of this may well have been established within minutes, not within a year and a half or so.

\* (11:10)

If the Premier was concerned, truly concerned about protecting the integrity of the civil service, and he became aware in the summer of 2012 that the civil servant was wrongly accused, why in heaven's name did he sit on it for a year and a half? Why would—this stuff about protecting the integrity of the Ombudsman's investigation—if he knew the man was innocent, save the Ombudsman's office a lot of extra work. Why are you waiting a year and a half when a man is accused of something he did not do? Why would you sit on it for a year and a half?

I don't believe the Premier. I'm sorry. But I just can't believe that a senior civil servant—the senior civil servant—supported by other senior civil servants in the Immigration Department and elsewhere in the bureaucracy of this province, would not have determined the innocence of this gentleman that day. And, if they did so, why did they not report it to the Premier?

That's a serious, serious question the Premier's refusing to answer. The Premier is attempting to say that the clerk of the Executive Council didn't know until the Ombudsman's investigation was launched. But that would mean that the senior civil servant of our province, his selection for the post, was derelict in his responsibilities, and he knows that.

Now, this ring is closing here, and it's because of the Premier's refusal to acknowledge the reality of the situation and its seriousness. In the Ombudsman's report, it is very clear that the minister gave instruction to the ADM's staff. That's clear. We know that. Everyone here knows that. That's not the issue.

The issue isn't that the—ever has it been, that Mr. Rempel acted alone. The issue is, rather, when did the Premier become aware of this. That's the issue.

And why the cover-up? Why the cover-up? When did he become aware? That's the thing. He's saying, not 'til July, not 'til August. And he's implying that the senior civil service in the Province of Manitoba weren't aware either for months.

But if this is important—and it is important that our civil servants are not exposed to undue political influence, such as clearly was the case here by a minister who has, subsequent to her actions, later admitted her responsibility, the issue becomes, why won't the Premier, in demanding co-operation and full disclosure from the member for Riel (Ms. Melnick), why will he not co-operate and fully disclose his awareness of this problem? Why did he sit on it from the summer of 2012—the knowledge

that Mr. Rempel had done no wrong, as he's referred to, as we agree—why did he sit on that for over a year and a half?

**Mr. Selinger:** Again, the member said that the civil servants were engaging in partisan political activity. On page 3—I draw his attention to that. He has a dog-eared copy that he claims he's read there. If he looks at the last paragraph at the bottom of page 3, the Ombudsman's report says, we did not find any evidence that the service providers who received the email felt coerced or intimidated to support the government. We also note there is no evidence that this was the intent of the ADM and therefore conclude there was no breach of the civil service act.

The Ombudsman's saying that the ADM in question here did not engage in partisan political activity, which the member just spent many of his preambles to his very long questions suggesting that they had. He's just dead wrong on the facts. That's not what the Ombudsman's report said.

The member also references an email from a member of Cabinet communications to the ADM on April 19th. And the email says, please take a look at the CBC story linked here. The story says the—this is an email to the ADM. This email—the story says, you sent a letter to NDPers to come to the Leg. today. I want to correct the record. As I understand it, you sent a letter to the settlement services people. Is that correct?

The response to the letter, to this query from cabinet communications in—is that the department has a distribution network of service providers and community stakeholders that we often send notifications to to inform them of events of relevance to them. Since the recent federal announcement, we have been receiving a high volume of inquiries expressing concern about the federal decision and asking what the Province will be doing to preserve the quality of settlement services in Manitoba. The message concerning the announcement in the Legislature was sent to this distribution network to help address the concerns being expressed. The network is not political, but comprised of those on the front lines of settlement service delivery in the province.

That is not what the member is—Leader of the Opposition is 'allegating'. The clarification was that it was sent out to people making queries. It's a normal distribution network of organizations involved in settlement services, not a partisan network.

So the member's just wrong on the facts, he's wrong on how he characterizes things, and he continues to be wrong. I invite him to read the Ombudsman's report and accurately interpret the findings of it, and I invite him to read the email that he has quoted in the Legislature and in this debate today, and be accurate about it—that as well. He's mischaracterizing both of those—both the report and the email, and that's very unfortunate that he would do that.

**Mr. Pallister:** Another desperate deflection from the Premier.

I've never alleged—never alleged—nor will I, wrongdoing by Mr. Rempel. I am concerned about the wrongdoing of the government. I'm concerned about the cover-up of the Premier. I'm concerned about the inattentiveness, certainly, that he alleges occurred with his clerk—former clerk of the Executive Council. I'm very concerned about those things; that, I'll continue to raise.

He refers to an email from his head of communications, and interestingly that email was inspired and references a CBC story which reported that an unnamed senior member of the bureaucracy had been involved in sending invitations out. Rachel Morgan, the head of communications, then emails Ben Rempel and says, I want to get clarification. Interestingly, Mr. Rempel's name never appears in the CBC story, which I guess implies that the head of communications knew Mr. Rempel was conducting himself in a manner in which he was involving himself and sending out invitations before she sent the email.

Now, this would mean that the senior member of the Premier's communication staff was aware of—as was his chief of staff—aware of the organization of a rally, as is alleged by the member for Riel (Ms. Melnick). The member for Riel has said that the Premier's staff were involved in helping her organize a rally.

So what the Premier is suggesting here is that his senior staff was aware—he may be suggesting he wasn't, but I don't think he'll allege that—that he was aware that his senior staff were fully aware of and involved in discussions around the organization of a political rally. He has also implied that he was aware that Mr. Rempel was sending out invitations. He's implying that no one in the senior bureaucracy reported to him that the minister, the member for Riel, actually then talked to the ADM in her department about this. Nobody was aware, according

to the Premier, that the minister had actually gone into the ADM's office, had instructed the ADM staff to send out invitations. No one was aware of that. It doesn't connect—those lines don't connect.

According to the Premier, no deputy minister concerned themselves with the allegation made or the question raised the next day, the day—or the day of the rally, no one in the senior bureaucracy of that Premier asked Mr. Rempel if he did or didn't—no one. The deputy didn't ask; the clerk of the Executive Council didn't ask. The Premier said his staff wasn't involved, but we know they were. It's a cover-up.

And, again, I ask the Premier—even if you buy his argument that he didn't know until July or August, three, four months later—even if you buy that argument, why, if the civil servant was innocent, as we allege he was and as we agree he was, of wrong-doing, that the primary responsibility rested not with him but with a member of the Premier's own Cabinet? Why would he sit on it? Why would he sit on it for a year and a half? He still hasn't answered that question; I'd appreciate if he would.

**Mr. Selinger:** Yes, I thank the member for a very long question with a lot of statements in there; there's a lot of material in there, much of it garbled, I might add.

Look, the member of Cabinet communications asked for a clarification from the civil servant in the department of Immigration about whether he had done any communications with NDPers to come to the Leg. that day to hear the debate on the resolution. And he writes back and says that, no, he had not done that, he had simply responded to requests for information from people in the settlement services community that were concerned about the future of the program and were looking for answers. That's all the email says.

We have always been very clear that when the resolution was decided on as a course of action to have public debate about the future of the settlement services program, that Cabinet ministers, caucus members, senior staff in Executive Council and as well as staff that work for the politicians had invited people down to the Legislature directly.

\* (11:20)

The member—the former minister herself has taken responsibility for her direction to the public service, the officials in her department, to invite members of the public down here and has taken responsibility for that and corrected the record in that

regard. And the member seems to have trouble distinguishing between those two sets of activities.

I'm aware of—and I think the member would freely admit this as well, that his staff were inviting people down to hear the debate as well. That's why they were seeking passes to have people sit in the gallery to hear the debate. And we also know that federal officials and federal politicians were down at the Legislature, so they were invited to come down and hear the debate as well.

So the Legislature is a place of public debate on a very important matter called settlement and settlement services in Manitoba, and it's a program that has generated many more people living in the province and a lot of economic vitality in the province, and it's a program that's very important to not only this government but provincial governments all across the country. The Manitoba settlement services program was a program widely admired across the country. Many other provinces wished to have the same program available to them, and that's why we thought it was important to have a discussion about that.

We thought the discussion would be non-partisan in the sense that there would be wide support for the program in the House because the program had been started in its earliest stages under the previous Filmon government and was one that was broadly supported in the community by all members of the community across all the different dimensions, the community employers, employees, newcomer organizations. There was broad support for it.

So, yes, people were involved in inviting people directly to come down to the Legislature and participate and hear about the debate. No, the minister was the one that invited people to come to the Legislature through her staff, and that's a decision that she made without involvement from senior staff in the government and has taken responsibility for.

**Mr. Pallister:** So, again, the Premier didn't answer the question and used the dull talking points that his communicators have provided him with.

But the fact remains he sat on the information. He knew the man was innocent for a year and a half, did nothing about it, said nothing about it and let an ombudsman's investigation proceed, at considerable expense and time to the taxpayers of Manitoba, which was inevitably going to produce the result that the integrity of the civil servant in question would be

established, when the Premier could have established that integrity as pure as the driven snow the day the rally happened, and he knew that day that this civil servant acted under the guidance of one of his Cabinet members and he said nothing about it.

Now, speaking of integrity, this government was asked to provide information under The Freedom of Information and Protection of Privacy Act back in July of last year. They were asked to provide any studies performed for the proposed increase in retail sales tax from 7 to 8 to begin July 1st, 2013, and they replied that there were no such documents. No such records exist, that's what they said.

Also, they were asked under the freedom of information act in August of last year, please provide any reports or analysis on the impact of a 1 per cent increase to the PST that it would have on Manitoba businesses in the province or the provincial—we have a copy. We only have one, I think, do we? This document. Okay, so, in short, a month or so later—two weeks later, the government was asked to provide any reports or analysis on the impact of a 1 per cent increase to the PST that it would have on Manitobans, on businesses in the province or on the provincial economy. Manitoba Finance responded that they had located records responsive to the request. The records, of course, look like that, which is a problem, and the Auditor General's noted, too, with this government. So we get information blacked out, and there's a back page; I'll read from it in a second.

So at the top of the page is the issue, increase the retail sales tax rate, and it's blanked out. Now, given the fact that everybody in the province knew well before this point in time that the increase was going to 8, it's interesting that the government would go to the trouble of blacking that number out, that's for sure.

And I guess the Premier has been pretty clear he had no intentions, it was nonsense to even suggest he'd do this, but I'll start by asking him this. On the back of this document, it's a briefing note, I believe you'd call it, or talking—it's a briefing note—increased sales tax rate. And it says an increased sales tax rate would require either a referendum under the balanced budget act or a notwithstanding clause overriding the referendum requirement, which would require committee hearings into the amendment. The referendum must be held—or the notwithstanding clause enacted before a rate increase could take effect, et cetera, et cetera, et cetera.

This is all from Richard—I'm not sure I'm pronouncing this correctly—Groen, G-r-o-e-n, acting assistant deputy minister, Kristine Seier, who is the assistant director of Finance. Both these advisers told the government they'd be breaking the law if they proceeded as they were.

My question is: Why black out the space that would've—unless it's a number different than eight—why black out the space on the front of this document?

**Mr. Chairperson:** Has the Leader of the Official Opposition concluded his remarks?

**Mr. Pallister:** Yes. I'm waiting for an answer. That's often the case.

**Mr. Selinger:** I've seen the document. It seems to be following The Freedom of Information and Protection of Privacy Act guidelines, so I'm having a little trouble understanding what the member wants to know that's not included in the document. What's his point?

**Mr. Pallister:** Well, what specific guideline is he referring to that would cause blacked-out information of this nature, especially of information that's already in the public domain? Why would the government go to such an effort to block out information on the retail sales tax rate after they've already introduced it and, in fact, imposed it on the people of Manitoba? What possible argument could he make under the FIPPA rules that would require that level of censorship by the government of information?

**Mr. Selinger:** The problem with the member's question is he's assuming that he knows what's blacked out. I don't know what's blacked out. He doesn't know what's blacked out. And presumably it was done because it follows the legal requirements of FIPPA.

Advice to Cabinet usually is blacked out and that's probably one of the reasons why it's blacked out. But for him to assume that he knows what's blacked out really is presumptuous on his part. I mean, really. We don't know what was blacked out, but it was blacked out according to the requirements of FIPPA and the information was provided to him. I do note that among the information provided to him, among provinces that levy a sales tax, Manitoba has the second lowest, tied with BC. Other provinces that have adopted the federal HST, which is administered alongside the GST. So it does indicate some information to him and gives him the information

that he's asked for within the guidelines of FIPPA. So I don't know how he can assume that something's been blacked out without knowing what it is. I don't think you can jump to those conclusions. I think that's unfortunate that he would do that.

**Mr. Pallister:** Now, let's talk about unfortunate. What's unfortunate is that the Premier promises the people of Manitoba that he won't raise the PST and then does. That's pretty unfortunate. That impacts on the homeowners of this province and the householders of this province. That's unfortunate. That's real unfortunate.

What's unfortunate here is that the Premier would go to such lengths to keep from public view documents that are important to the public to understand and know, and he doesn't cite the chapter and verse, the rule he's referring to that the government's hiding behind in respect of blocking out a number in a document that is well known already. So why would the government go to such lengths to cover up this number if it's eight? I guess that's what I'm asking him. If it's eight, why block it out?

\* (11:30)

**Mr. Selinger:** Again, he doesn't know whether that was the number that was blocked out.

**An Honourable Member:** I know; that's why I'm asking the question.

**Mr. Selinger:** That's just an assumption based on his part. I don't know either—it's blacked out. That's the point, and the information was provided by the access and privacy co-ordinator in the Department of Finance. So the information was provided by an official who is following the FIPPA legislation and providing him the information—providing him the information—providing Colin Craig, actually. This is a response to Colin Craig, who I believe is with the Taxpayers Federation, not to the leader of the opposition.

So the information is provided as per the FIPPA requirements, and we have upgraded our FIPPA requirements in Manitoba and made them more expansive over time and strengthened that legislation in the public interest.

**Mr. Pallister:** Thank goodness that the government's updated that information accessibility rules so much so that we're able to get so much more information from the government on issues of importance to the people in Manitoba. Really, I do commend the

government for that amazing progress that they demonstrate with this document.

Now, the Premier told the people in Manitoba that it was nonsense when it was suggested that he might raise the PST. I have to ask him, if it was such nonsense, does that mean he didn't consider raising it beforehand, or did he? Did he consider raising it beforehand? And, if so, what—to what level?

**Mr. Selinger:** Again, I've made it clear, we did not expect to have to raise the PST. But subsequent to the election, it became clear that the economic recovery was slower than had been anticipated, not just in Manitoba but across the country, and, matter of fact, across the globe, and that there were already signs that the global economy was starting to slow down again.

And we believed that it was necessary to have a program that would create jobs and keep the economy growing in Manitoba. And so we acted in that interest to do that, and we put forward a program that you've seen in this budget based on what we heard from Manitobans. Manitobans said, if you're going to raise some additional revenue, make sure it goes to things that make a difference, and they've identified as their highest priority basic infrastructure. And what they meant by basic infrastructure was things like roads, sewer and water, and flood protection.

And we've dedicated the entire PST to that in a five-year program, which we've tabled in front of the Legislature and tabled in public, and that five-year program will generate about 58,900 jobs, about a \$6-billion improvement to economic growth over the five years. And we believe that that program will serve Manitobans well not only in the short-term, in terms of the job generation and the improvements of infrastructure, but in the long-term, because the other thing the Conference Board of Canada report indicated was is that when you spend \$1 on infrastructure, you generate about a \$1.16 of economic activity within your province.

And that is a necessary and important activity right now, when we're starting to see—for example, we're starting to see at the national level that the unemployment rate in Canada, for the first time since the recession, is now higher than in the United States, and the United States has had a sluggish recovery. But Canada's unemployment rate has now risen higher than the United States' unemployment rate, when in fact it had been quite a bit lower than

that for the first four years of the recovery period after the recession occurred.

So we're starting to see provinces all across the country generate revenues to invest in infrastructure and to ensure that we can have a good program going forward. In Manitoba's case, we wanted to have infrastructure that generated jobs for young people, good jobs, and jobs in the trades, and so we've got a twin program, a skills agenda of increasing the number of skilled workers by 75,000 over the next eight years, and an infrastructure program, which I've outlined for the member opposite.

And the member himself will remember that, in 1995, when the legislation was brought in, he's on the public record of saying that he did not believe it would bind future governments from making decisions in the public interest. And I acknowledge that when you make a decision like that you have to be able to justify it in the public interest, and we are doing that. We are showing the public the benefits that we'll get out of that. And that's why we've put the five-year program forward and indicated how it will roll out and how the money will be accounted for on an annual basis.

So we will show how the money generates good economic activity in terms of infrastructure and good employment opportunities, in terms of skills inside of Manitoba, and be accountable for that decision. But the member knows full well that he himself, at the time that the legislation was brought in, did indicate on the record in this House that he did not believe it was going to tie the hands of future governments on making decisions which they believe to be in the public interest.

**Mr. Pallister:** Absolutely incorrect, Mr. Chair. But, that being said, the Premier has clarified that he believes in taking away the right of Manitobans to vote on the tax increases in the public interest, and I don't agree with him. And he's willing to fight us in court on that and use taxpayer resources to defend his right to take away that right to vote.

He's also tried the shell game of selling the PST hike various ways until, you know, he's latched on to this—because it didn't sell, he's latched onto this issue of infrastructure much later. Two-thirds of his first 150 ribbon cuttings didn't centre on core infrastructure, Mr. Chair, so he knows—he knows it wasn't selling, so he's latched on to the infrastructure thing now, in spite of the fact that for the last four years he's underspent in that department

by 27 per cent. That's the only department of government that's underspent.

So he's fond of saying that past behaviour is the best indicator of future performance. I stand by his past behaviour as the best indicator of his integrity on his promises in that respect.

So is he putting on the record here that the government did deliberate prior to the 2011 election on the raising of the PST? Is he putting that on the record today?

**Mr. Selinger:** Again, during the course of the election we did not expect to have to raise the sales tax. We've made that clear to Manitobans. Subsequent to that, we saw that the economic recovery was not moving as rapidly as everybody had anticipated, at all levels of government. We saw that it was slower than anticipated. And we're still seeing that; we're still seeing evidence of that rolling in right now.

We had to make some challenging decisions, and we recognize that that decision caught Manitobans by surprise. We did, at the time, say that the money would go into infrastructure. We didn't—we did focus it on infrastructure. But we also went out and listened to Manitobans and did round tables all across the province on the infrastructure program. And they specified, very clearly, when we talked to Manitobans, that they want it to be not just on infrastructure, but core infrastructure, and so we focused it on that.

And we have generated those resources in this budget and put them into the budget. We've seen very significant support for the infrastructure program we put forward by people involved in building infrastructure in this province or receiving the benefits of infrastructure in the province. So we've seen the municipalities appreciate the investments that are being made in municipal government. We've seen the city appreciate the five—the \$250-million five-year program for street renewal inside the city of Winnipeg.

One of the earliest announcements we made coming out of the budget where the PST was put on the table for being raised, was a \$250-million commitment to protecting the people in the Assiniboine valley, Lake Manitoba and Lake St. Martin. That was one of our biggest announcements right after that budget was tabled in this Legislature.

So we always had a very strong commitment to core infrastructure that would make a long-term

difference in the lives of Manitobans, and we thought flood infrastructure was at the top of that list. We had just—before the budget—just weeks before the budget, received a report from the committee that had reviewed the 2011 flood, and they had recommended an additional billion dollars of expenditure for flood protection in the province of Manitoba. And that was a report that came in late that year, just before the budget, but it was a report that we took account of when we made our final budget decisions. We saw not only that had we spent a 1 and a quarter billion dollars on flood protection in the '11 flood, in the immediate period of the flood, but now we had a recommendation of an additional billion—up to an additional billion dollars that needed to be spent. And we made an early commitment to spend \$250 million of that billion, to make the temporary channel permanent and to have an additional channel out of Lake Manitoba into Lake St. Martin. Those were the commitments we made. And also to make many of the dikes that were temporary, permanent throughout the province for protection of those communities, including in the community of Brandon where we immediately announced that they should go ahead with permanent protection in the community of Brandon.

So all of those things were part of what we said we would do.

**Mr. Pallister:** Okay. Well, we know what the government promised to do and we know what they did, and they signed a 10-year, untendered STARS contract within hours of the election, restrictions on communication occurring, for \$159 million, when they could have got a far better deal. And we know why they did that as well.

And we also know that within a few days the Premier was promising that he would not raise the PST, and calling it ridiculous and nonsense. And we now know, because the Premier hasn't denied it, that the government was looking at raising the PST prior to the election. So it wasn't as ridiculous and it wasn't as much nonsense as he claimed.

\*(11:40)

The fact is, the flood didn't occur after his election; it occurred a long time before it. And the fact of the matter is that the subprime meltdown and resulting economic shocks to the world were three years old by then. So for the government to claim that there was an emergency is to claim that they weren't aware of these realities when they ran for office. This is clearly the worst kind of politics. To

promise to not do something and then do it within days is not honest. And the fact is the government knew, because they had discussed raising the PST prior to the election; they knew very likely that they were going to proceed.

So what I'm submitting to you, Mr. Chairman, and I want the Premier to respond to this, is that I think there's ample reason to believe that he knew full well during the election when he made the promise not—that he would not raise the PST, he knew full well that he was going to, because none of these circumstances occurred after; they were all there before.

**Mr. Selinger:** Again, we knew that the 2011 flood had generated a bill of 1 and a quarter billion dollars in the immediate aftermath of that. The report recommending an additional billion of dollars—of expenditure came as a result of a review done by a group of experts and citizens around Manitoba. That report came in just weeks before the budget of 2013–2012-2013. And that report was one that proposed very significant upgrades to the infrastructure for flood protection in Manitoba over and above the 1 and a quarter billion that had already been committed. So that report was after the election.

Also, after the election, was the slowdown in the global economy and the continuing sluggishness of the recovery—something that still occurs today. We're starting to see the economic forecasts decline all around the globe today, and not only for Canada but the American recovery has been quite slow as well. And we're 'steering' a slowdown in the economies of Brazil and China and India as well. So there is a growing concern among the international institutions that look at these matters, like the OECD, like the World Bank, like the International Monetary Fund, that the global recovery is more sluggish than people had anticipated.

One of the things that you're starting to see around the world is a major commitment to infrastructure as a way of providing not only short-term economic growth but long-term economic productivity through better infrastructure, not only short-term jobs that will generate significant activity but long-term jobs based on the quality of the infrastructure and the economic benefits that come out of that. For example, in the United States, you've got the President proposing a \$300-billion infrastructure program just this spring. You've got the International Monetary Fund telling the federal government to be cautious about balancing the books

at the expense of the economy. It's saying, make sure you put an emphasis on economic growth and jobs. And you're seeing countries that have put an exclusive focus on austerity, such as England, where they've been in and out of recession now three times since '07-08, now looking at ways to stimulate their economy and get the economy back on track. And one of the major ways they're looking at is through infrastructure programming, not to mention hiring the former head of the Bank of Canada, Mark Carney, to come over there and offer his wisdom on how well we had done in the country.

We did well in Canada when we all worked together to make sure that we had a program in place that lifted the economy and kept it stable and built good assets for the future. We're starting to see now further demands and further requirements to do that, and they have to be done in a sensible way. The infrastructure program we're supporting is one that we announced at the time of the budget and further refined after—based on consultations with the public as we went forward. And we've put that program in front of the public and put it in front of the Legislature. It's a \$1.5-billion additional program over and above the \$720 million we had in the base. So it's about \$1.1 billion a year for each of the next five years.

We've acknowledged that it'll take time to ramp that up, which is why it's not as much spending in the early period as it will be later on once it's fully ramped up. We've provided for early tendering procedures for these contracts. We've made a very significant commitment to train more people to have access to these jobs through an announcement I made yesterday in part to better apprenticeship money in Manitoba—\$5,000 for every apprentice and a new bonus of a thousand dollars for every company that takes on an apprentice for the first time. And I can tell you the people in the building trades—employers as well as employee groups—are very excited about the potential to train more people to do these jobs and the fact that we're going to be doing these things. They think it's necessary. They see it as an important dimension of continuing the strong economic story we've had in Manitoba, not only over the last five years of the recession but over the time we've been in office.

We've had very good growth in the economy, above the Canadian average. It's been one of the better growing economies in the country, about fourth, at least in the top half, but usually third or fourth. And the forecast growing—going forward is

now to have us being one of the best performing economies in the country, if not in first and second position going forward. That's what some of the forecasts are saying as early as this week.

So it's a program that will grow the economy, provide good jobs and do it in a way that keeps our cost of living among the lowest in the country.

Now, the member opposite said that he did not put on the record in the Legislature that he did not believe the legislation that was brought in, including the referendum provision, would not handcuff future legislatures. So the record that he—on October 16th of 1995, the Leader of the Opposition, on the record in Hansard said—and I'll provide him a copy of this—granted, there are restrictions in this legislation the members have talked about, that they suggest are unreasonable or that would handcuff future legislatures. I do not believe that is true. I believe the legislation can be, by any subsequent Legislature, withdrawn or repealed, so I do not believe that the hands-being-tied argument is one that has any validity at all.

That's what the Leader of the Opposition said on October 16th, 1995 in the Hansard. I—it's in the Hansard; it's completely on the public record. I only have one copy. I read it into the record again, but the member opposite can go check what he said at that time. And if you need additional copies, I'll be happy to provide them to you.

So that's what he said in 1995. He did not believe the legislation that he was a part of would tie the hands of future governments. I take him at this word, in 1995.

**Mr. Pallister:** Super, and if you go through the proper process and you let the people have the right to vote or you are transparent in your dealings, then, of course, it doesn't tie your hands. But if you try to break the laws to get what you want, then it should tie your hands. And that's why we're in court with the government and why they're using taxpayers' money to defend their right to take away Manitobans' right to vote and their right to raise taxes, which they promised they would not do.

Now, back to the issue at hand: the Premier's selling job isn't working because people know he underspent his infrastructure budget for four years in a row by \$1.9 billion in total. So the credibility he's trying to demonstrate now with his commitments, albeit later years commitments, is not supported by the facts or by his record. That is clear.

Now, he raised, by broadening the PST—which, again, he said he would not raise taxes. I take him at his word. Manitobans took him at his word, but he did. No other province did. This government did. Every province faces infrastructure challenges and other challenges. That's true. No other province chose to act in this way.

But that's not the issue either. The issue's one of integrity. The Premier said it was nonsense and ridiculous. I've asked him repeatedly to answer the question: Did he consider doing this beforehand? Did they look at this beforehand? He refuses to answer the question. I believe he did. I believe that he did look at it beforehand. I believe he fully intended to raise the tax, and I think he needs to state on the record if he did or did not intend to raise the PST after the election, in spite of his promises.

And I know he'll try ragging the puck, so what I'll do here is just cite a couple of FIPPA responses that we have, where we asked—on March 10th, we received a reply, finally, saying: In response to the question, please provide any preliminary study pertaining to the impact of raising the PST during fiscal years—and then we go through the various years.

Now, again, because the government's—because of the government's openness, we don't have any information to deal with. There's no information made available by the government, but it does say: After searching for records in relation to your FIPPA requests, we'd like to advise you for FIPPA No. 04-14, No. 06-14 and No. 07-14 that no relevant records exist.

Fair enough. That's fine. That would support the Premier's contention he had no intentions of raising the PST. It was ridiculous; it was nonsense.

But it does go on to say that Manitoba Finance has located records that pertain to FIPPA No. 03-14 and No. 05-14, but they won't release them. So what that means is that the government was discussing—that this Premier was discussing the issues around the PST and the impact of raising the provincial sales tax was considered by this government in 2008-09, 2009-10, 2010-11. The fact of the matter is the government was looking at raising the PST before the Premier went out to the public of Manitoba during the election and said it was nonsense. They were looking at it.

\* (11:50)

Now, the question is—because of their earlier response to Jon Gerrard in which they say they were not looking at it and that no records exist, it's interesting to note that the wording of the request of Mr. Gerrard is—I'm sorry, of the member for River Heights (Mr. Gerrard)—I apologize, Mr. Chair—any—what the member for River Heights asked for was any economic impact studies for the—performed for the proposed increase in retail sales tax from 7 to 8. And his response was, please be advised we've reviewed our files and no such records exist. We didn't say seven or eight. We asked the same thing. And we have found that there are records. Now, the only difference is that we didn't reference seven or eight. So I want the Premier to admit that his colleagues and he have been discussing, and prior to the last election did discuss raising the PST, but that they discussed raising it by more than 1 per cent.

**Mr. Selinger:** I've been very clear. We had no plans to raise the PST in the election period that—under discussion here. That was only considered after the election had occurred and we'd seen what was happening with the economy and we had seen the additional requirements and recommendations to improve flood protection in Manitoba. We had a report just prior to the budget that recommended an additional billion dollars of investment in flood protection in Manitoba on top of the one and a quarter billion that had already been committed and, in most cases, largely spent for that flood period. And so that's what I've said. And the member—I would appreciate if the member would table those emails, but—those are records that were provided under FIPPA. But the reality was is that there was no plans to raise the PST until—subsequent—until we realized that there was a significant challenge for additional infrastructure requirements in Manitoba and there was a need to continue to find ways to make sure the economy keeps moving forward with steady economic growth, with good jobs. And that was the plan that we brought forward to people.

And very early on, when we brought that plan forward, our most significant commitments were a quarter of a billion dollars in response to that report that had come out just before the budget, that we needed to spend an additional billion dollars on making the emergency channel permanent and that we needed an additional channel coming out of Lake Manitoba, as well as making the temporary dikes permanent throughout the Assiniboine valley, all the way through to Brandon. So those were commitments that were made with the quarter of a

billion: to make temporary dikes permanent, to have an additional channel out of Lake Manitoba, and to make the temporary channel permanent. Those are very significant commitments. They require a long-time horizons to do all the engineering work, to do all the environmental reviews and to do all the consultations with people that are impacted by those decisions in order to work through all the issues related to that so that you can get those flood protections put in place, which was the same approach we took after the '97 flood when we came into office.

We saw that there had been a one in—we saw a flood that put to the very limit the flood protection that we had for the city of Winnipeg. It almost breached. And we saw that there was inadequate protection in the Red River Valley. So we did a very significant billion-dollar infrastructure program for flood protection in the Red River Valley through our first decade—12 years in office. And we also expanded the Floodway from one-in-99-year protection to one-in-700-year protection. We, as a result of the recommendations put forward before the budget, acknowledged that we needed to provide protections for other people that had been impacted by the flood in the Assiniboine valley, Lake Manitoba and Lake St. Martin, that they deserve protection as well. And so we listened to the recommendations of our experts as well as citizens that had been participating in that process, and they identified up to another billion dollars of investment that was required.

We made an initial commitment to a quarter of a billion dollars for key aspects of that protection, which were the emergency channel as well as the new channel. And that required resources to do that, very significant resources, but resources that would generate economic growth, protect communities from economic damage.

And we know that the Floodway, since it's been improved in Manitoba for Winnipeg, has prevented, some suggest, up to \$30 billion of avoided costs from flooding in our city. That's a very significant benefit for our—an investment of about \$660 million in the last period of time and the \$61 million originally put forward during the '60s by the premier of the day, Duff Roblin. So those investments in flood protection protect communities, but they also protect the economy as well and protect the economic prosperity of Manitobans. And the Conference Board of Canada has put out a report where they said that the dollar invested in

infrastructure will generate \$1.16 in benefits. It will provide about 5,900 jobs over the course of five years, and it will also see a growth in the economy of about \$6 billion.

Now, when I put on the record what the member, the Leader of the Opposition has said back in 1995, I have to say he obfuscated on what he really said. He said: I believe the legislation can be, by any subsequent Legislature, withdrawn or repealed. So I do not believe that the hands-being-tied argument is one that has any validity at all.

The proposal we brought forward is to change the legislation to repeal certain sections of it in the public interest to allow us to build infrastructure in Manitoba at a time of economic recovery and at a time of recovery from very serious flooding, the worst flooding we've ever seen in that part of Manitoba in modern times.

So that's what he said was possible in 1995. We stand by it. He's trying to obfuscate what he said then and pretend otherwise, and I hope that he puts this information on the record when he pursues the lawsuit because it undermines the case that he's trying to make.

**Mr. Pallister:** I look forward to fighting for the rights of Manitobans to not be taxed by someone who says they wouldn't. I look forward to fighting on behalf of Manitobans to keep the taxes lower, not have them higher. I look forward to fighting in court to have Manitobans have the right to vote on major tax increases, and I will fight against the Premier and his government who want to take away the right of Manitobans to vote on such measures forever.

The fact of the matter is the Premier obfuscated in his response. I asked him—he put on the record that he had no plans in the election period. That would surprise—that would surprise no one here. He had no plans to raise taxes in the election period. Yes, well, of course not. He had no plans in the election period. We know he did do tax hikes after. Everybody knows that, the biggest in 25 years—expanded the PST to include home insurance, property insurance, haircuts, fundamental things Manitobans need. Said he wouldn't; did. We know that.

What I've asked him about is what were his plans before the election, not during the writ period. I get that he's not going to raise taxes during the writ period. I get that he denied he ever would. I get that he called it nonsense. What I'm asking him is: Will he admit that he had discussions prior to the election

concerning raising the PST? Will he admit that? Will he put that on the record?

He keeps referring to the Conference Board of Canada, who he pays to produce studies for him so that he has his third-party endorsements over here. No one should have to do a report for the government to show them that spending taxpayers' money can create jobs. Perhaps it's a fifth as many as the government says; that's not the issue here. The reality is government spending money can create employment opportunities. Everyone should know that. Why do a study to do—to show that?

The point is the arguments he's making could be applied equally well, as specious as they are in most cases, could be applied equally well to raising the PST another point. He's saying he's better equipped and his government's better equipped to spend the money Manitobans work for and save than they are; that's what he's saying. And he's saying that raising the PST is what he has to do. Well, then, raising it again is what—I guess what he's going to have to do. By what he's asserting, by the logic he's using here today, he's planning on raising the PST again. I get that he won't do it during the writ period. I understand that.

I'd like him to go on record promising the people of Manitoba at the very least that he's not going to raise the PST again before the next election happens. Would he at least go on the record and make that assurance to the people of Manitoba? Given the fact that he's—he is trying in court and has already tried, through legislative means, to take away the right of Manitobans to decide whether they want to pay a higher PST, given that fact that that right's been removed from you and your constituents and all the people of this province, given the fact that this government has chosen to take that right away, and given the fact that that creates economic uncertainty in the province of Manitoba, and given the fact that people are very concerned about their economic futures, as they should be, would the Premier at least give the people of Manitoba the assurance that he's not going to jack up the PST again? Would he do that?

**Mr. Selinger:** Yes, that was done before the budget we brought forward this spring.

The member opposite also forgets that we've reduced taxes since the election as well. We reduced taxes for families by increasing the personal exemption \$250. We reduced taxes for small business by increasing the exemption where we have

zero taxes on small business income to \$425,000. We also increased—reduced taxes for senior citizens, which we're following through on. First, we lifted the personal—the seniors' tax credit to \$1,100, and then, in this budget, we started to reduce taxes for seniors with respect to property taxation for education. So we followed through with very significant tax reductions for Manitobans as well. And, in the result, even other provinces rank Manitoba as No. 1 or 2 on affordability across the country for families and certainly for businesses.

\*(12:00)

Manitoba small business tax rate up to \$500,000 is the lowest in Canada. Manitoba's taxes for a young person starting out a career here with the graduate tuition tax rebate are among the lowest in Canada. The affordability for a family of 75,000, a family of four for 75,000, under the same measurement that was done when members opposite were in government, are the lowest in Canada. We have the most affordable cost of living for a family of four at 75,000 in Canada, using the same methodology that the member used when he was in government.

And the number of jobs that's being created by the report, indicated by the Conference Board of Canada, is 58,900 jobs. It's the exact same methodology that the Leader of the Opposition used when he was in government and now he's trying to discount that by 80 per cent. He should—he didn't do that when he was in government. He used person-years of employment as jobs. We're using the same methodology. The Conference Board has sent a correction to the allegations made by the Leader of the Opposition that it's 58,900 jobs. That's the common understanding of it. Same methodology used by the federal government. Same methodology used by other provinces such as Ontario. Same methodology used when he was in government himself, so there's no surprise there, and I'm very surprised now that he's trying to discount that and claim otherwise. He's really repudiating his own methods of reporting to the public when he was in government. He's trying to have it both ways.

Similarly, when it comes to the legislation, he said one thing in 1995 and now he's pretending that it's otherwise. He said in 1995 the legislation could be withdrawn or repealed, and the bill brought forward was a bill in the public interest to invest in infrastructure, including the billion dollars recommended just before the budget of the spring, of not this year but last year, of '13, and that money is

going to do—meet the priorities that Manitobans told us that they thought were important: infrastructure for flood protection, sewer and water investments and good street improvements throughout Manitoba, and we've made very significant announcements in that regard.

So those are the facts that we've put on the record and I have copies for the Legislature of what he put on the record in triplicate, as required, with them suitably marked so that they can be referenced. I've provided one copy already and it looks like I have two additional copies here with what he said on the record in 1995. And I wish he'd stop trying to obfuscate it now by pretending it's otherwise, and it's just unfortunate that he keeps doing that. It just doesn't serve the public interest very well about what he intended the legislation to be when it was brought in and how he's trying to change the intent of the legislation now.

So that's what he said in 1995, on October 16th. I appreciate the fact that there is a specific date on that, because I know the member opposite likes to have very specific dates for when events occur, and the reality is we have a very specific date of what he said here during that period of time. So the reality is that he said the legislation could be changed or amended. And we have brought forward a program that Manitobans has told us is a priority, and that's investments in infrastructure and the creation of good jobs for young people inside the province of Manitoba, with the overall objective to have a steadily growing economy at a time when the global economy is not recovering as rapidly as people have said it would recover.

So these are the objectives. They're intended to serve the public interest of Manitobans, and as we roll that out, we will be accountable for the results. We'll be accountable for the number of jobs created and the number of roads paved and the number of sewer and water installations that have been improved and the number—and the flood protections that are put in place.

Some of these projects take a long time because of the very complex requirements to do that, but you have to start early if you want to get them done. It took us over a decade to do the floodway improvements for the city of Winnipeg, but those floodway improvements have served us extremely well today and last year and every year when we have high waters in the city of Winnipeg. That floodway serves us very well. And the improvements

we made in the Red River Valley are serving us very well.

In the '11 flood, I had the opportunity to tour and see what was going on in the Red River Valley. It was a very large lake, but most of the communities were protected by ring dikes and the homes that weren't inside the ring dikes were protected by being lifted up two feet higher than the 1997 flood. So people were much safer and secure as a result of the investments, the billion dollars of investments we made in flood protection for that part of Manitoba.

And now we're going to do flood protection for Brandon. We're going to make the dikes permanent in the Assiniboine Valley, and we're going to proceed with additional flood improvements in the area of the Interlake, where you represent, as well as making the emergency channel permanent and adding an additional channel out of Lake Manitoba.

So these are the things we're doing. We think that infrastructure is very high priority for Manitobans, as it is for Canadians. And you're starting to see that there's going to be more infrastructure investments.

Now, there has been some question about what the role the federal infrastructure program will play. The Building Canada Fund is about 46 to 47 million dollars a year. It's about \$235 million over the next five years. And we have set aside, in our infrastructure program of \$5.5 billion, we've set aside \$400 million to work with the federal government on how they want to invest their \$235 million of Building Canada money.

So we are retaining flexibility to work with the federal government on how they want to invest their money. But, while that's going on, we want to make sure that we're growing our economy and investing infrastructure in Manitoba, and we are doing that on—with our own resources, and we'll be accountable to Manitobans for how those resources are deployed and spent.

**Mr. Pallister:** I recognize the Premier's desperate, and I welcome his offer to run the next election on the issue of integrity. I think that'll be fine with us. The evidence speaks for itself. The Premier made promises that he would not raise the PST and did. The evidence shows that, at cabinet level, this issue was discussed, and there is every reason to believe, as a consequence, that this was something the government was considering prior to the election,

though I agree the Premier didn't raise it during the writ period.

There is also reason to believe that the government did discuss raising it more than 1 per cent, because they did not respond to a FIPPA request from my colleague from River Heights, in which he enunciated clearly he wanted information on it being raised from 7 to 8, but did respond favourably to us that there were records, despite the fact that it—the government would not make them available.

There is also reason to believe that in a province that has the highest revenue growth of any Canadian province, the government will find ways to spend the money. But there is ample reason to doubt whether its credibility on spending it on core infrastructure is real or imagined, given its record of not spending on infrastructure established over many years.

The Premier has not disputed my contention that this was discussed and considered by him and his colleagues prior to the last election. He has not disputed or responded to my contention that he intended to raise it higher. He has not responded to my request to guarantee the people of Manitoba he would not raise it again. He has claimed that he did, but he has not.

And I tell him that the evidence of his integrity rests in his performance of his responsibilities. And when he makes a promise and then breaks it and makes excuses thereafter, in a province that he knew full well is already full of people who are overtaxed, and when he understands, as we all do, that Manitoba's revenues, his government's revenues, are going up faster than every other Canadian province, and he uses excuses about the subprime meltdown of a six-year-ago time and a flood that occurred prior to the election to pretend that these things came upon him suddenly as a consequence of revelation and that they didn't exist prior to the last election—is the nonsense that he claimed our questions to him about the PST increase actually is.

So he has not denied the reality of the situation. The situation is clear. This government considered raising the PST prior to the last election. That is clear. There's evidence to support that. His denials are futile, and my concern is that he'll continue down the road of jacking up taxes, because he has a spending addiction and he cannot address it. Those concerns are a matter of record.

Does he have an estimate of the costs that the government will incur in defending its right to take away the right of Manitobans to vote in the courts?

**Mr. Selinger:** I do not believe that the member is accurate in terms of revenue growth relative to other jurisdictions. I think he's going to have to be very careful of what he says in that regard. Manitoba has had a strong economy. It has been about the fourth best in the country. Other jurisdictions have very significant fiscal capacity because of the natural resource revenues they get. So I think the member should be careful about overstating his case.

\*(12:10)

And he should actually take responsibility for his own integrity. This is an individual that sat at the table when we had the largest vote-rigging scandal in the history of Manitoba and still hasn't apologized for it. This is an individual that said he would not privatize the telephone system in Manitoba and then promptly went ahead and privatized it, and that resulted in 1,250 jobs disappearing inside of Manitoba when that happened, and the telephone rates going from the third lowest in Canada to among the highest in Canada, about the third highest.

So, if the member wants to talk about integrity, he should take responsibility for his own behaviour. Even today he's denying what he said in the Legislature in 1995, and he's denying what he's said on two-tier health care. And he's trying to portray it as otherwise than what he put on the record, and we provided him with the public record. He asked for public records; that's been provided to him and he's done nothing about it in terms of correcting the record. He has misinformed the public about his role, what he's said, and that's very unfortunate that he continues to do that.

**Mrs. Heather Stefanson (Tuxedo):** I know the Premier likes to talk about integrity, but I think we need to go back into his own back yard here when it comes to integrity. Just two minutes ago he said that Manitoba has a strong economy, a stable economy, and maybe 20 or 30 minutes ago, he said that the reason that they needed to raise the PST was because of the global economic recession, I believe.

And so I'd like to go back to that, Mr. Speaker—Mr. Chair, because he can't have it both ways. The fact of the matter is that I do believe we do have a fairly stable economy here in Manitoba and that there was no reason, necessarily, for the PST increase because of that stability within the economy

here in Manitoba, yet the Premier has used that very excuse as the reason why he needed to raise the PST.

So I'd like to ask him, in what years—of course, we know that the global economic crisis happened in 2008—I'd like to ask the Premier what years Manitoba experienced a downturn in the economy here in Manitoba, with the exception of 2009, which I believe the Premier himself said was a flat year? Here, in Manitoba, I think there was a slight decline in the economy, but if he could explain to us which years had a downturn in the economy here in Manitoba that caused for an increase in the PST.

**Mr. Selinger:** I have said that we've had a strong economy relative to other economies in Canada. That is correct. It's also true that the overall recovery from the recession has been more sluggish than anybody anticipated. Those statements don't contradict each other. We've done relatively well in a circumstance where the global economy, including the Canadian economy, has not recovered as rapidly as people anticipated. There's no contradiction between those two statements.

**Mrs. Stefanson:** Well, and, you know, once again the Premier is avoiding answering the question. I asked him specifically, because he said the reason for the increase in the PST was because of the recession that we're feeling here in Manitoba, a recession in a Manitoba economy. And I'd like him to indicate for Manitobans and for the House and for this committee today, what years Manitoba realized a downturn in growth in Manitoba?

**Mr. Selinger:** Yes, as I said earlier, the member's premise of her question was it was somehow we were trying to say things that were contradictory. And I say to her, that they're not contradictory. You can have a relatively strong economy in an overall economy that's more sluggish than anticipated in terms of its recovery. If the leader would look at page A1 in the budget papers, it has a table of how Manitoba's economy has performed relative to Canada, and it shows that the decline occurred in '09 but that it had performed well prior to that, in '08, and performed slightly worse than the Canadian economy for the two years following that, and then outperformed the Canadian economy in '12 and '13 and is forecast to perform about the same as the Canadian economy in '14-15, going forward.

So that's the record, and it's a record that shows that overall growth has declined since before the recession subsequent to the recession for everybody.

But, relative to everybody's overall declining growth, Manitoba has fared quite well.

**Mrs. Stefanson:** Well, I think the Premier, if he looks back at Hansard maybe another day, will realize that the premise for my questioning was because earlier he said that the reason for the increase in the PST was because of the recession that we were realizing here in Manitoba. And no one's denying that there was a global economic recession. We had—there was some serious—we had—there was a global economic crisis, of course, that occurred in 2008. No one disputes that—that the rest of the world was going through a very difficult time.

But what I've asked the Premier to do is indicate which years we realized negative growth here in Manitoba that would subsequently force him to turn around and increase the PST or use those—the downturn in the economy to increase the PST.

**Mr. Selinger:** I believe I just answered that question on page of A1 of the budget papers.

I said that the only year that the charts show there was a slight decline in growth was in '09, and then I 'indiquaded'—but, prior to that, the growth was quite strong in Manitoba, and, subsequent to the '09 period, the growth was little—was lower than the Canadian growth rate in years '10 and '11, but, in years '12, '13, was above the Canadian growth rate. And the forecast going forward is about the same as the Canadian growth rate.

So the point I'm making is is that the recovery has been sluggish and that has required us to look at ways we can continue to make sure the economy keeps growing, and the infrastructure program is fundamental to that.

**Mrs. Stefanson:** So I guess the Premier is making my point, is that there was only one year, being 2009, which I did indicate earlier, that had a slight decline in growth in Manitoba. And I believe the Premier, at that time, referred to that as being—I believe his quote was flat is the new up at the time, and he was very bullish on the economy here in Manitoba and he was, you know, very positive about it and, subsequent to that, we realized positive growth after that. And, relative to the rest of Canada, we have done quite well in terms of growth here. And so, if that is the case, no other province across Canada—if we're doing better than—and this is the premier's logic. If we're doing better than all other provinces—or most other provinces across Canada—the other provinces across Canada have not raised

the PST, so why did he—why does he use this as an excuse for raising the PST here in Manitoba?

**Mr. Selinger:** Again, I wouldn't want the member to think that other provinces haven't found other ways to get additional revenues. Some have raised health premiums. Some have raised taxes on resources. Others have put tariffs in place that have generated additional revenue. Some have ran rates for employment insurance which are higher than needed to look after the requirements for unemployment insurance and generated additional revenues off that. Some have raised personal taxes across the country. Some Conservative governments have raised personal taxes. Some have harmonized their taxes with the federal GST to get additional revenue to provide support for the program that they're putting forward within their province.

In Manitoba, we decided that it was necessary to have some additional resources for infrastructure at a time when our economy was doing well. But that wellness was relative to an overall situation where the recovery was slower than anticipated on a global basis and on a national basis. Those two things are not inconsistent, and there was a real important necessity to invest in infrastructure which had proven to be very effective at generating economic growth within the province.

\* (12:20)

So when you have that investment in infrastructure, and we've seen it in the past, and we see it currently, when you're investing in infrastructure, it does generate, according to the Conference Board of Canada, about 1.6 dollars of benefit for every dollar invested. And it creates good jobs. And it creates greater productivity in the economy, which is also identified by the Conference Board of Canada. Infrastructure—good infrastructure increases the productivity for everybody in mostly the private sector because, for example, when trucks can flow on the roads more consistently without being interrupted by floods or on better surfaces, better highways, they flow more efficiently, save more fuel, get goods to markets more rapidly.

**Mrs. Stefanson:** The Premier likes to look at comparisons across Canada, and we like to, as well, because it gives us an indication of where we're at. And I think one of the unfortunate things is when we are talking about—and he mentioned income tax in his last answer and, certainly, we know that in Manitoba we already pay the highest tax in income taxes west of Quebec. And one of the categories in

his own budget books was even west of New Brunswick, where we are paying higher income taxes—Manitobans were paying higher income taxes than even Quebecers. And I think that that's unfortunate. We already are paying among the highest taxes in Canada, and you know, despite that, the Premier felt that it was—and despite the fact that we had an economy that's doing relatively well across the—across Canada, as well, he still saw fit to raise the PST on the backs of hard-working Manitobans, which has been very tough for them. And we've heard from many of them around here how difficult it's been.

So I guess I just ask the Premier again if he's using comparisons across Canada? We're already among the highest taxed across Canada. Then—you know, other provinces are not raising the PST—and why did he feel he had to raise the PST here, when we're already among the highest taxed in Canada?

**Mr. Selinger:** Again, the member might have heard me earlier say that our sales tax is among the lower sales taxes in the country. And I believe it remains in the third lowest position of provinces that have sales taxes. When you take a look at the tables in the book on page C30 of the budget paper, you can see that sales taxes, whether harmonized or otherwise, are, in all cases but two, higher than in Manitoba. They're 8 per cent—8 per cent in Ontario; 8 per cent in—well, Ontario it's—in Ontario it's harmonized, so it's actually higher even though the rate is 8 per cent, but when it's stacked on top of the GST, it winds up being higher. It's 9.975 per cent in Quebec; 8 per cent in New Brunswick, which is harmonized, so it's higher; 10 per cent in Nova Scotia; 9 per cent in Prince Edward Island; 8 per cent in Newfoundland, which I believe is harmonized as well. So it remains among the lower sales taxes in the country.

The marginal tax rates for people in the highest income bracket, it looks to me, from reading this paper, that we are the fourth lowest in Canada out of 10 jurisdictions. *[interjection]* No? It looks like the fifth lowest. Yes, the fifth lowest out of 10 jurisdictions. So we're right in the middle of the pack for that. Our taxes for small business are the lowest in the country. And that's very significant for people. And certainly, when you take a look at the federal tax rates, they're higher in all instances. The personal income tax rates at the federal level start at 15 per cent and go up to 29 per cent. Ours start at 10.8 per cent and top out at 17.4 per cent.

So our taxes are quite competitive. And our cost of living is even more competitive. When you take a look at the cost of living for Manitoba families, it remains in the top three for the country, and some provinces rank us as No. 1. For a two-earner family of four earning \$76,000, Manitoba is the most affordable place to live for that family in Canada. And that's using the methodology, the same methodology used by members opposite when they were in government. So the reality is, is that we have maintained a focus on affordability. And as a matter of fact, we have reduced taxes for families. We have reduced the—we have increased the personal exemption, which exempts more revenue before it's taxed for families. And we've increased tax benefits for seniors inside of Manitoba. And we've continued with the graduate tuition tax rebate, which has been very beneficial to young people wishing to live or work in Manitoba, to have a low marginal tax rate and recover money from their—to recover money from their investment in themselves in terms of education. And that benefit continues in Manitoba. It's the most generous in the country.

**Mr. Blaine Pedersen (Midland):** Mr. Chair, I'd like to ask, has the Premier been in contact with the current management of Maple Leaf Foods in Brandon?

**Mr. Selinger:** I know our government has, and have been in touch with them, yes.

**Mr. Pedersen:** Well, I guess I'd like a little clarification. What does our government mean? And is the Premier saying he has not been, or who specifically is, our government?

**Mr. Selinger:** The government has through the ministers. I've met with Maple Leaf—I'd have to get the date, but it's a few months ago. And certainly the minister has met with them, and officials have been in contact with them, about their concerns.

**Mr. Pedersen:** The Premier says he met with him. Was that the Maple Leaf Foods management in Brandon, or who did he specifically meet with?

**Mr. Selinger:** The owners and management of the company.

**Mr. Pedersen:** And when would that have been?

**Mr. Selinger:** I'd have to get him the dates for that.

**Mr. Pedersen:** Well, if the Premier could supply those dates on Monday when the committee resumes, that would certainly help for that.

And is—just wondering what the Premier's understanding is of the Maple Leaf Food's position right now. They're running at one and a half shifts right now, as compared to they were running at two shifts.

Is the Premier aware of why this is happening?

**Mr. Selinger:** I believe I generally am aware of what's happening, yes.

**Mr. Pedersen:** Well, perhaps he could explain his understanding.

**Mr. Selinger:** Yes, they are—they want an increased supply of product that they can put through that plant.

**Mr. Pedersen:** So what's the problem? Why is there a lack of supply to the plant?

**Mr. Selinger:** Again, there are—simply that the supply of hogs that they wish to have access to isn't sufficient for two full shifts at the moment.

**Mr. Pedersen:** What's the cause or the reason? Is there a specific reason for an insufficient supply of hogs to the Maple Leaf Foods plant in Brandon?

**Mr. Selinger:** Again, they are saying that they would like a greater supply of hogs for their plant. And we also—they also recognize that there's a responsibility to make sure that we have a

sustainable industry in Manitoba. And, if the member has any specific suggestions that he would like to make in that regard, we'd be happy to hear them.

It says in the budget papers on page 87, hog supply 'vell'—fell due to higher costs and a sharp decrease in demand from the US created by the country-of-origin-labelling legislation. That's one of the factors that was identified in the budget papers, on agriculture.

**Mr. Pedersen:** I would encourage the Premier to go and visit Maple Leaf Foods in Brandon so that he understands country-of-origin labelling.

And I would further ask the Premier to explain why they are having difficulty in obtaining supply for the factory in Brandon.

**Mr. Selinger:** Again, I'd invite the member to read the agricultural discussion.

**Mr. Chairperson:** Order. The hour being 12:30 p.m., committee rise.

Call in the Speaker.

#### IN SESSION

**Mr. Deputy Speaker (Tom Nevakshonoff):** Order, please. The hour being after 12:30 p.m., this House is adjourned and stands adjourned until 1:30 p.m. on Monday.

**LEGISLATIVE ASSEMBLY OF MANITOBA**

**Friday, March 21, 2014**

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