



Third Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

DEBATES
and
PROCEEDINGS

33 Elizabeth II

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Speaker*



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Hon. Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, Hon. John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Q.C., Brian	Ellice	NDP
COWAN, Hon. Jay	Churchill	NDP
DESJARDINS, Hon. Laurent	St. Boniface	NDP
DODICK, Doreen	Riel	NDP
DOERN, Russell	Elmwood	IND
DOLIN, Hon. Mary Beth	Kildonan	NDP
DOWNNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
EYLER, Phil	River East	NDP
FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
GOURLAY, D.M. (Doug)	Swan River	PC
GRAHAM, Harry	Virden	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Hon. Gérard	Radisson	NDP
LYON, Q.C., Hon. Sterling	Charleswood	PC
MACKLING, Q.C., Hon. Al	St. James	NDP
MALINOWSKI, Donald M.	St. Johns	NDP
MANNES, Clayton	Morris	PC
McKENZIE, J. Wally	Roblin-Russell	PC
MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, Hon. John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
SHERMAN, L.R. (Bud)	Fort Garry	PC
SMITH, Hon. Muriel	Osborne	NDP
STEEN, Warren	River Heights	PC
STORIE, Hon. Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
USKIW, Hon. Samuel	Lac du Bonnet	NDP
WALDING, Hon. D. James	St. Vital	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA

Tuesday, 19 June, 1984.

Time — 2:00 p.m.

OPENING PRAYER by Mr. Speaker.

MR. SPEAKER, Hon. J. Walding: Presenting Petitions
. . . Reading and Receiving Petitions . . .

PRESENTING REPORTS BY STANDING AND SPECIAL COMMITTEES

MR. SPEAKER: The Honourable Member for River East.

MR. P. EYLER: Mr. Speaker, I beg leave to present the second report of the Standing Committee on Public Utilities and Natural Resources.

MR. CLERK, W. Remnant: Your Committee met on Tuesday, May 8, Thursday, May 10, and Tuesday, June 19, 1984 at 10:00 a.m. in Room 254 to consider the Annual Report of the Manitoba Telephone System.

Your Committee received all the information desired from Mr. Gordon W. Holland, General Manager, Mr. Saul Miller, Chairman of the Board, and members of the staff with respect to all matters pertaining to the Annual Report and the business of the Manitoba Telephone System. The fullest opportunity was accorded to all members of the Committee to seek any information desired.

Your Committee examined the Annual Report of the Manitoba Telephone System for the fiscal year ending March 31, 1983 and adopted the same as presented.

MR. SPEAKER: The Honourable Member for River East.

MR. P. EYLER: Mr. Speaker, I move, seconded by the Member for Inkster, that the report of the committee be received.

MOTION presented and carried.

MR. SPEAKER: The Honourable Member for St. Johns.

MR. D. MALINOWSKI: Thank you, Mr. Speaker.

I'd like to present a Fourth Report on the Committee of Economic Development.

MR. CLERK: Your Committee met on Tuesday, June 19, 1984 at 10:00 a.m. in Room 255 Legislative Building to consider the 1982/83 Annual Report of Manitoba Forestry Resources Ltd.

Mr. Murray O. Harvey, Chairman of the Board, Mr. J.B. Sweeney, President and Chief Executive Officer and Mr. P.J. Demaré, Corporate Secretary and Director of Finance, provided such information as was required by members of the Committee with respect to the Company.

Your Committee examined the Annual Report of Manitoba Forestry Resources Ltd. for the fiscal year

ended September 30, 1983 and adopted the same as presented.

MR. SPEAKER: The Honourable Member for St. Johns.

MR. D. MALINOWSKI: Mr. Speaker, I move, seconded by the Honourable Member for Inkster, that the report of the committee be received.

MOTION presented and carried.

MINISTERIAL STATEMENTS AND TABLING OF REPORTS

MR. SPEAKER: The Honourable Attorney-General.

HON. R. PENNER: Mr. Speaker, I beg leave to table the report of the proceedings of the 65th Annual Meeting of the Uniform Law Conference of Canada, held at Quebec City, August, 1983.

MR. SPEAKER: Notices of Motion . . . Introduction of Bills . . .

INTRODUCTION OF GUESTS

MR. SPEAKER: Prior to Oral Questions, may I direct the attention of honourable members to the gallery, where we have 27 students of Kindergarten to Grade 8 standing from the Grafton School under the direction of Mr. Penner. The school is in the constituency of the Honourable Minister of Municipal Affairs.

There are nine visitors from the St. Boniface Hospital. They are under the direction of Miss Jorgensen. The hospital is in the constituency of the Honourable Minister of Health and Sport.

On behalf of all of the members, I welcome you here this afternoon.

ORAL QUESTIONS

Election, calling of

MR. SPEAKER: The Honourable Member for Lakeside.

MR. H. ENNS: Mr. Speaker, late in the hours of the committee sittings in this Chamber, the Premier in his enthusiastic support of his Minister of Energy and Mines energy policies, suggested perhaps that it would be a fitting time to call an election. My question to the Honourable First Minister is, having slept over that enthusiasm, has he arrived at a decision this morning, and can he announce to the people of Manitoba that he has indeed screwed up his courage and is calling a general election?

MR. SPEAKER: The Honourable First Minister.

HON. H. PAWLEY: Mr. Speaker, my response was to a very encouraging offer from honourable members

across the way that energy policy, energy issues, the major economic thrust that the Minister responsible for Energy and Mines has announced, would be the No. 1 election issue.

Mr. Speaker, if honourable members want to make that the No. 1 issue, it certainly would be very very tempting.

Hydro rates

MR. H. ENNS: Mr. Speaker, will the Minister prevail upon his Minister of Energy, and indeed the rest of his caucus, to apply that anticipated \$1.7 billion of profit from these Hydro sales to make sure that Manitobans will either have their Hydro rates reduced or at least maintained at the same level for the next number of years?

SOME HONOURABLE MEMBERS: Oh, oh!

MR. SPEAKER: Order please. The Honourable First Minister.

HON. H. PAWLEY: Thank you, Mr. Speaker.

When we discussed the \$1.7 billion profit and the pleasant problem that Manitobans will be confronted with in respect to resolving how Manitobans can best benefit from the \$1.7 billion profit, it indeed is a welcome contrast to their government's negligence when they were in government in 1977-81, when by their admission, Mr. Speaker, last night, they had spoken to Wisconsin and Minnesota Utilities and to WAPA and they had turned their back on opportunities to negotiate a transaction that would result in the positive benefits that this New Democratic Party Government has negotiated.

Instead they went on their hands and their knees to Peter Lougheed in Alberta, and it resulted, Mr. Speaker, in a transaction that resulted in no profit to the people of the Province of Manitoba in contrast to \$1.7 billion profit as a result of this Minister's negotiation. If there was an example of colossal negligence, it was on the part of the previous administration of this province and I think indeed, Mr. Speaker, that they hoped that Manitobans will hold them accountable for that colossal negligence.

MR. D. ORCHARD: Blow the smoke off your pistol, Howard, you're hot.

Manfor refinancing

MR. SPEAKER: Order please, order please. The Honourable Member for Turtle Mountain.

MR. B. RANSOM: Mr. Speaker, I have a question for the Minister of Finance.

The Manfor Corporation refinancing leaves the province now with a consolidated equity position of some \$160 million invested in Manfor. Can the Minister of Finance give the House an approximation of what the interest cost will be on that \$160 million of investment to the taxpayers of Manitoba who are making that investment?

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: I was hoping that the member would follow up on the answer of the First Minister, because I've heard a number of people over there calling out, "some Canadian." I just wonder whether the public of Manitoba would agree with the members of the opposition that as good Canadians we have an obligation to send \$1.7 billion to the Province of Alberta. I don't know of any agreement that that government was able to enter into . . .

SOME HONOURABLE MEMBERS: Oh, oh!

MR. SPEAKER: Order please, order please.

The Honourable Member for Lakeside on a point of order.

MR. H. ENNS: Mr. Speaker, I appeal to you to use our Rules, as they are well established. The Member for Turtle Mountain asked a very specific question, I would ask the Minister to either exercise his right not to answer, or if indeed he stands up to answer, then to respond to the question put.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. SPEAKER: Order please, order please.

I would hope that all questions would be short, concise and to the point, and answers would also be short, concise and to the point.

The Honourable Minister of Finance.

HON. V. SCHROEDER: Thank you, Mr. Speaker.

I agree entirely. I just would have hoped that the members of the opposition would have, when they were in government, entered into agreements with Premier Lougheed, under which Premier Lougheed would have sent oil and gas to Manitoba at cost in exchange for us sending our products to Alberta at cost. When they talk about foreigners, when they talk about Canada first, they didn't even know what Mr. Kasser's name was when they entered into an agreement with him.

But, Mr. Speaker, with respect to Manfor — (Interjection) — I was going to get around to it, and of course the name Kasser reminded me of CFI, which reminds me of Manfor. Of course we all know how we wound up with the kind of debt that we have. We wound up with that kind of debt because we had a member of a Cabinet back in the '60s who went to Switzerland to sign an agreement and forgot he had gone there, and forget he had signed the agreement. We have that debt and the Member for Turtle Mountain is well aware of interest rates that we are currently paying. They range anywhere from 6 percent on average, on Swiss franc loans, to I believe approximately 11 percent on U.S. funds, and overall - I don't know the exact average, I can take the question as notice, but we haven't specifically allocated some portion of that provincial debt to that Crown corporation, as the member well knows.

MR. B. RANSOM: Mr. Speaker, the Minister makes reference to the history of Manfor and CFI. Will he acknowledge that the \$51 million that was attributed to a capital shortage resulting from the CFI situation was written off by the government this year and that

the remaining \$160 million is direct government investment, taxpayer investment in the corporation?

HON. V. SCHROEDER: Mr. Speaker, those matters are going on before the committee right at this time, I don't know whether the committee was finished this morning or not, but you know that would not have happened had that stupid deal not been made by the Roblin Government back in the 1960s.

MR. B. RANSOM: Mr. Speaker, a question to the First Minister. The Minister of Northern Affairs indicated to the committee this morning that he considers a reasonable return on investment by the taxpayers to be something less than the interest cost that the taxpayers pay on their investment. My question to the First Minister then is: can we expect better return from investments that he is contemplating, be they with Alcoa or in the oil and gas corporation, is his understanding of reasonable return something more realistic than that of the Minister of Northern Affairs?

MR. SPEAKER: The Honourable Minister of Northern Affairs.

HON. J. STORIE: Mr. Speaker, the Member for Turtle Mountain is using a simplistic kind of approach to the problem that members opposite usually use. I had indicated to the member that in the context of the question that he asked me that there was no alternative. There was no simple answer to the question that he posed with respect to the investment that has been put in Manfor over a number of years, covering a number of administrations. I indicated to him that there were two ways that the province could recoup their investment in Manfor: one of them was to take the tact that we chose and that was to invest in Manfor, invest in upgrading. Mr. Speaker, I indicated to the members with respect to the financial report that we discussed this morning that the operating loss this year will be cut in half next year; that it will be again significantly reduced the following year. The 10-year projections, Mr. Speaker, resulting from the upgrading, resulting from the commitment that this government has to that complex, will mean a significant benefit to the economy of the province. Mr. Speaker, it is anticipated that after the costs of modernization are accounted for, there will be some \$65 million surplus. So, Mr. Speaker, that's one way of eliminating that debt.

Mr. Speaker, the Member for Turtle Mountain wants to put on the record the simplistic point of view that somehow this \$160 million can never be recouped by the province or that the government hasn't considered the costs of that investment to the taxpayers. Mr. Speaker, we have.

The plant at Manfor, Mr. Speaker, is approximately valued at \$500 million. Mr. Speaker, we had no opportunity and the members opposite tried for four years, unsuccessfully, I might add, to sell off Manfor. Mr. Speaker, the difficulty was we were looking at an operation that needed significant investment. They approached that particular problem from their perspective. They wanted to invest money so that someone else could purchase it and make profits.

MR. SPEAKER: Order please. The Honourable Member for Turtle Mountain.

MR. B. RANSOM: Mr. Speaker, a question to the First Minister. Given that people who invest money, be they individuals or taxpayers, have an understanding of terms such as reasonable return and profit, can the First Minister indicate to the House or assure the House that when his Ministers use the term "reasonable return" or "profit" that indeed the term means approximately what it means to people who are involved in investment, I say either directly as taxpayers or individually?

MR. SPEAKER: The Honourable First Minister.

HON. H. PAWLEY: Mr. Speaker, I think what the investors will certainly recognize is the fact that the Manfor operation was permitted to, in fact, decline by way of economic viability because of a lack of modernization that should have taken place years and years ago. It was this government, I believe it was in the spring of 1983, announced a major modernization effort in respect to Manfor with assistance, credit to the Federal Government, so that what we are doing, Mr. Speaker, is achieving a major modernization of the Manfor plant to turn an unviable plant into a viable operating plant. That is what is important. Rather than sitting on our thumbs, Mr. Speaker, we took action, or to modernize that plant, to bring about the necessary improvements in respect to that plant, in order to ensure the improvement insofar as the market capability of the Manfor operation.

Mr. Speaker, what we have done is a little bit like having accepted a lemon from a vendor and ending up with a lemonade with a lot more water than lemon. Mr. Speaker, we're ensuring there's more lemon than water in the final lemonade because of the failure on the part of the original vendor ending up giving us a lemon which we're now trying to deal with.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. SPEAKER: Order please. The Honourable Member for Turtle Mountain.

MR. B. RANSOM: A supplementary question to the First Minister, Mr. Speaker.

Can he give some assurance, when he's looking to the future of Manfor, that he can foresee where the action taken by his government will result in the taxpayers at least getting their interest back on their \$160 million investment? Is that something that he can foresee in the reasonable future?

HON. H. PAWLEY: Mr. Speaker, what we do know is that the opportunity is there with the modernization to ensure a return in respect to the investment. Without the modernization, if we had determined that we would follow the road that had indeed been followed previously of not modernizing the plant, of permitting inventories to build up 17 to one over the demand in respect to the product of Manfor, yes, of course, there would have been no return in respect to investment.

Certainly, Mr. Speaker, there is now a better opportunity in order to obtain a return in respect to the investment at Manfor. In fact, we have every indication that will be achieved, Mr. Speaker, because

of the modernization, because this government has injected funds into the Manfor operation along with the Federal Government to bring about modernization to meet the demands of the market at the present time.

Minimum wage

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. G. FILMON: Thank you, Mr. Speaker.

My question is for the Premier. It follows on a news report on the weekend which I would like the Premier to indicate as to whether or not there is any validity to it. It was that the Minister of Labour is considering proposing an increase to the minimum wage in this province to \$6 an hour. Is there any validity to that report?

MR. SPEAKER: The Honourable First Minister.

HON. H. PAWLEY: Mr. Speaker, I know of no consideration in respect to an increase in the minimum wage to \$6 an hour by the Minister of Labour or anyone else.

MR. G. FILMON: I wonder if the Premier could indicate whether or not the Minister of Labour is yet in receipt of a recommendation with respect to the minimum wage from the Minimum Wage Board.

HON. H. PAWLEY: Mr. Speaker, I'll take that question as one for notice by the Minister of Labour.

Packing-house negotiations

MR. SPEAKER: The Honourable Member for Arthur.

MR. J. DOWNEY: Thank you, Mr. Speaker.

I have a question to the Minister of Agriculture. In view of the fact that the Burns plant in Brandon is closing and the fact that the Burns Winnipeg plant is closed due to strike and there is a threat of a Canada Packers strike, in view of the fact that he is responsible to the agricultural community for the maximizing of returns for the farm-produced commodities, will the Minister of Agriculture get involved in the negotiations between the labour and management to help resolve the situation which in the end will cost the consumers a significant amount more money for the product that they consume?

MR. SPEAKER: Order please. I'm not sure that the Minister of Agriculture is responsible for labour negotiations in this province. Would the honourable member wish to rephrase his question?

MR. D. ORCHARD: He's not responsible for anything.

MR. J. DOWNEY: Mr. Speaker, in view of the fact that the Minister of Agriculture is responsible for, or to the beef and hog producers of the Province of Manitoba when it comes to maximizing the returns, will he put forward every effort to resolve or help resolve any disputes within the system that would maximize the

returns and accommodate the consumers getting a good product at a fair price and not have that commodity increased because of strike action?

MR. SPEAKER: The Honourable Minister of Agriculture.

HON. B. URUSKI: Mr. Speaker, first of all, I don't accept the honourable member's premise to his question, but I do wish to indicate to the honourable member that this government and all its Ministers are prepared to assist, whether it be through the Department of Labour or ourselves, in trying to get the parties together and make sure that the issues that cause labour disputes can be resolved without disruptions.

But, Mr. Speaker, even though the closing of the plant at the present time has caused some difficulties in the marketplace, up to this point in time there have been no long-term difficulties of having the supplies of product processed and that farmers are able to process their products and sell them. Of course, Mr. Speaker, with the stability in the marketplace, because of the stabilization plans in the province, producers' cash costs are protected and some of the capital costs are protected by virtue of income stability from the two long-term plans that we have put into place, Sir.

MR. J. DOWNEY: Well, Mr. Speaker, on behalf of the taxpayers and as a member of Treasury of the province, will the Minister of Agriculture put every effort forward so that the impact of the strike will not cost the taxpayers an excessive amount of money through that support program? What action is he planning and has he taken to this point to resolve the dispute within the packing-house industry?

HON. B. URUSKI: Mr. Speaker, the honourable member should be aware that this matter of collective bargaining should be resolved by the two parties. There are instruments within government to assist parties to make sure that the process goes efficiently and effectively at the bargaining table. Unfortunately, in some cases, it hasn't occurred.

Not only that, Mr. Speaker, the honourable member should be aware that as a result of the recent announcements in Brandon and the action in Winnipeg, there's been an announcement by Burns to close effective immediately their plant in Calgary, which is a far greater blow in terms of the numbers of employees than in Manitoba. Although we are still with the committee set up by the Minister of Industry, Trade and Technology, and the Minister of Employment Services, working our hardest to attempt to find ways and means of ensuring the long-term viability and the long-term success of the plant in Brandon to reopen that plant.

Burns plant - sale of

MR. J. DOWNEY: Mr. Speaker, to the Minister of Economic Security - I guess that's the proper term, Employment Services' or whatever he feels it should be called - there are reports that the Minister has advocated to the employees of the Burns plant in Brandon that they should proceed to purchase that

operation. In view of the fact that Burns said they will not sell it, Mr. Speaker, to anyone who wants to carry on with a packing-plant operation, what assurance has the Minister given these individuals that he's not just playing politics with them? What guarantee is he giving the people of Manitoba that he's sincere in his approach, Mr. Speaker? I would ask him to clearly state here that there is a meaningful attempt on his behalf to support those employees. Is he putting cash forward to support the employees? Is he advocating a lower wage settlement for that operation?

MR. SPEAKER: The Honourable Minister of Employment Services.

HON. L. EVANS: Mr. Speaker, as I have indicated, the committee has been considering this. This is a committee made up of various representatives in the community of Brandon and we have examined the various problems that are confronting us and confronting the people of Manitoba, confronting the workers in this respect. Anything we do, in regard to suggestions that the honourable member alluded to with regard to Workers Co-op or whatever, would be done strictly on the basis of a decision made by the workers. At this stage, the Honourable Member for Arthur is jumping the gun in his implicit assumptions in his questions. We will be meeting with representatives of the workers and sharing information with them.

MR. J. DOWNEY: Mr. Speaker, is the Honourable Minister offering the employees financial backing for the proposal which he's suggesting that they should take on?

HON. L. EVANS: Mr. Speaker, we are going to provide information to the workers and presumably they will take this matter under consideration and at some point make a decision how they, the workers, may wish to proceed.

Beef Stabilization Program

MR. SPEAKER: The Honourable Member for Morris.

MR. C. MANNES: Mr. Speaker, I address my question to the Minister of Agriculture. Is it a fact that the Beef Stabilization Program to date has cost the province net \$26.8 million?

MR. SPEAKER: The Honourable Minister of Agriculture.

HON. B. URUSKI: Mr. Speaker, one has to indicate to the honourable member that there were \$13 million paid in stabilization grants, in productivity enhancement grants, to producers, and the remaining portion - I think give or take that amount of money - that would be a fair estimate that would have gone to producers to stabilize their incomes. After, Sir, losing about a third of our producers in the province out of the beef industry and having lost approximately a third of our beef cow herd, Mr. Speaker, we did and are attempting to stabilize the incomes of producers and of course make sure that a number of our producers are able to stay in business.

MR. C. MANNES: Can the Minister indicate the sex breakdown of the first quarter of '84 slaughter kill within Manitoba? The Minister may like to take the question as notice, but I'm wondering if he could, in a day or so, indicate whether I'm correct in saying that although the slaughter numbers may have increased in total by a few percentage kill, that in fact that was made up by a cow kill increase of some 42.7 percent, a heifer kill increase of .25 percent and a steer kill decrease of .8 percent. If I am correct, can the Minister tell me how the government's \$26.8 million input has helped stabilize an industry that is eroding quickly when the slaughter numbers prove without a doubt that his claims are incorrect?

MR. SPEAKER: Order please. The honourable member should not suggest that statements by another member are incorrect.

The Honourable Minister of Agriculture.

HON. B. URUSKI: Thank you, Mr. Speaker.

I'll take the specifics as notice, but what I can tell the honourable member, in terms of statistics, I can check them out with the Statistics Branch. I want to tell the honourable member that the beef cow herd, which was depleting in the Province of Manitoba to the percentage, approximately to what I mentioned to the honourable member, has for the first time in approximately five years stabilized and there is an increase in the cow herd in the Province of Manitoba. Basically — (Interjection) — well, Mr. Speaker, I don't know where the honourable member gets his figures . . .

SOME HONOURABLE MEMBERS: Oh, oh!

MR. SPEAKER: Order please.

HON. B. URUSKI: . . . I will check those figures out and I will report back but, Mr. Speaker, a survey done, Sir — (Interjection) — I wish to advise the honourable member that a survey done of approximately the majority of the 5,000 contract holders under the beef plan have indicated that there is an increase in the number of beef cow herds. Sir, the honourable member should be aware that over 75 percent of the beef cow herd in Manitoba is enrolled under the stabilization plan of the province.

Royal and Papal Visits - gifts

MR. SPEAKER: The Honourable Member for Elmwood.

MR. R. DOERN: Mr. Speaker, I would like to direct a question to the Minister of Cultural Affairs and ask him whether he has commissioned a gift for Queen Elizabeth and the Pope in regard to their visits to our province?

MR. SPEAKER: The Honourable Minister of Culture.

HON. E. KOSTYRA: Thank you, Mr. Speaker.
I'll take that question as notice.

Assessment policies

MR. SPEAKER: The Honourable Minister of Municipal Affairs.

HON. A. ANSTETT: Thank you, Mr. Speaker.

Mr. Speaker, yesterday I took as notice a question asked by the Honourable Member for Morris with respect to the liability for taxation of certain farm dwellings, the owners of which were involved in the operation of Farm Vacation Programs. I suggested to the honourable member at that time, that I believed the answer lay in Section 30 of The Municipal Assessment Act in Subsections 1 and 2 of that provision. It clearly lies there; the liability for buildings to taxation depends totally on the criteria set out in Section 30. Members of the association, the Farm Vacation Association, have been advised of that because some inquiries were made. There are probably very few examples where the income from the Manitoba Farm Vacation Program, in which association members are enrolled, would in any way impact on total income to the extent that it would exceed 50 percent. Clearly the buildings that would be affected would only be those buildings which would be used exclusively for that program if it was less than 50 percent. However, if income obtained from that program were more than 50 percent, then the exemption for farm purposes would be lost.

MR. SPEAKER: The Honourable Member for Morris.

MR. C. MANNES: Mr. Speaker, I thank the Minister for the answer. Just as a point of clarification, do I take it by the answer that he's just offered to us that no individual who is part of this program in fact will pay any taxation on their buildings if the income received by way of this business is less than 50 percent of the total farm receipts?

HON. A. ANSTETT: Mr. Speaker, as I believe the member is familiar, under Section 30, Subsection 3 of The Act, there is a provision which makes the determination somewhat difficult as to the exact use to which different parts of farm buildings are put. For example, one situation which has occurred in the past, relates to barns which may be used for one type of livestock which is definitely farm livestock and perhaps horses which may be used for racing. The determination of a portioning of the building into assessed but exempt, and assessed but taxable, becomes the assessor's responsibility.

Pesticides - survey

MR. SPEAKER: The Honourable Member for Arthur.

MR. J. DOWNEY: Mr. Speaker, I have a question to the Minister of Environment.

In view of the large numbers of people who are in opposition, particularly the rural municipalities, dealing with his proposed regulations and the applications and the registration of use of pesticides and insecticides, Mr. Speaker, will the Minister now consider withdrawing those regulations until he's had time to discuss with the Department of Agriculture and the municipalities at large a more acceptable set of regulations?

MR. SPEAKER: The Honourable Minister for the Environment.

HON. G. LECUYER: Thank you, Mr. Speaker.

I don't know how long it's going to take, Mr. Speaker, for the members across to understand that the process of developing regulations is one which involves very closely the public at large. In this particular instance it involves the farming community, the municipalities. We're talking about a draft regulation, Mr. Speaker, that's sent out for the first time. We're asking people to give us their input in terms of how they react or how they see the application of this regulation. If they disagree in any way or for any particular reason, that they can justify. That is what we are seeking, Mr. Speaker, is their input in order to eventually draft a practical regulation, an enforceable and a reasonable regulation for Manitoba not to take the approach and mislead the public, as the member seems to be doing right now, by giving the impression that this is the final regulation, when this is the first draft?

MR. J. DOWNEY: Mr. Speaker, in view of the fact that the Minister is getting such letters and I'll quote part of it, "Therefore it be resolved that the Council of the R.M. of Winchester do strenuously object to the regulations as presently drafted . . ." "In view of that strenuous and strong opposition that's not only coming from that municipality, but many municipalities, will he totally abandon, Mr. Speaker, his proposal and rethink and rediscuss the whole process of regulating the municipalities?"

HON. G. LECUYER: Surely, we are going to get some comments that are not just, "we object to one particular aspect of the regulation", we are seeking comments in regard to all clauses in that regulation. If there is one clause - and the member keeps referring to the same one all the time that they object to, they can advise us of that, and in redrafting this regulation, we shall take into account the valid comments that are made to us. Mr. Speaker, we have not indicated to the community, to the large numbers of people who have received this draft regulation, that it was intended to be a final draft. We have sent it out seeking their comments.

The member refers to one particular aspect. He keeps repeating it: they have to apply for a permit 90 days before they intend to spray. — (Interjection) — Mr. Speaker, if the members across think that the municipalities for one thing wait until 90 days before their spray time, before they're going to buy their insecticides or their pesticides. They should know better. They pretend they come from the rural communities and use herbicides in their operations. Do they pretend to tell us here now that they wait until 90 days before it's time to spray to buy their sprays? No, Mr. Speaker, they do that away before.

MR. SPEAKER: Order please. The Honourable Member for Pembina.

MR. D. ORCHARD: Thank you, Mr. Speaker. In view of the singular lack of understanding that the Minister of the Environment has demonstrated on the regulation

he's put forward, I pose a question to the Minister of Agriculture. Did your staff involve themselves in the drafting of this obtuse regulation that the Minister of the Environment wishes to foist on the people of Manitoba and the weed districts under your department?

MR. SPEAKER: The Honourable Minister of Agriculture.

HON. B. URUSKI: Mr. Speaker, I fail to see a comment from the Honourable Member for Pembina, talking about foisting when there is an approach being taken of open consultative process by the Minister of the Environment. — (Interjection) — Mr. Speaker, obviously the honourable members don't want . . .

MR. SPEAKER: Order please.

Beef Stabilization Program

HON. B. URUSKI: Mr. Speaker, I know the Honourable Member for Morris will appreciate the answer I gave him because he raised a question about marketing and whether or not the beef plan is working, Sir. I want to share some information with him, Mr. Speaker, since obviously the honourable members want to answer their own questions and they don't want an answer from myself. I want to share with the honourable member a comparison done 1983 over 1984 of actual beef commission marketing in which slaughter cattle were marketed by the commission over a number of weeks which would show whether or not the beef plan is working and the number of cattle increasing in the Province of Manitoba.

Sir, the beef plan began in March, 1983, and we did a comparison with that week over the year 1984. That was March, 1983. 256 head were marketed in 1983; 1,096 head in 1984. The next week, Mr. Speaker, 355 head in 1983; 854 head in 1984. The same week, year over year, Mr. Speaker, 628 head in 1983; 668 head in 1984. Mr. Speaker, 522 head in the following week in 1983; 807 head in 1984. 717 head in 1983; 813 head in 1984. In 1983, 770 head; 910 head in 1984. Next full week, 506 head in 1983; 1011 head in 1984. Mr. Speaker, on the basis in terms of marketings for 1984, indicated intentions are looking at about 95,000 head of slaughter cattle which would translate into an increase of over 70 percent in 1984 over the marketings in 1983. That will be the marketings through the Manitoba Beef Commission of slaughter animals. One year over the next.

Pesticides - survey

MR. SPEAKER: The Honourable Member for Pembina.

MR. D. ORCHARD: Thank you, Mr. Speaker. My question to the Minister of Agriculture, which he so studiously avoided is, did his department participate in the drafting of the regulation put out by the Minister of the Environment and were they consulted in the drafting of that regulation?

HON. B. URUSKI: Mr. Speaker, I appreciate the honourable member's question and their attention to

my answer. My staff were initially involved in the process of the draft regulations. Mr. Speaker, those draft regulations sent out by the Minister of the Environment are there for comment. We certainly have some comments in terms of our own department.

MR. SPEAKER: Order please. The Honourable Minister.

HON. B. URUSKI: Mr. Speaker, the honourable members believe that everything that is sent out for public commentary should be in its final form and in its precise form. Then they expect anyone who criticizes or has constructive suggestions to make in a proposal is now fighting the government. Mr. Speaker, this government doesn't take it that way. We believe in putting out suggestions to the municipalities to people affected for true dialogue and consultation and discussion and input from the public. Mr. Speaker, there is no better way of participatory democracy in this province than by using the forum that is being used by the Minister of the Environment and getting constructive criticism from the public and then making the changes in a responsible and a general way that a regulation can be put into place which can be compromised and put into place, which will be able to be supported by the vast majority of Manitobans.

MR. SPEAKER: The Honourable Member for Minnedosa on a point of order.

MR. D. BLAKE: Possibly for clarification, although I realize that's not a point of order - the Minister has just said that they're not always in their perfect form when they go out and when we used to question the Minister of Municipal Affairs or Government Services on the Main Street Manitoba Program, he said he didn't want to give us that information because it had to be perfect. Now I'm getting a contradictory statement from the Minister of Agriculture.

MR. SPEAKER: Order please. The honourable member was right, it's not a point of order.

The Honourable Member for Pembina.

MR. D. ORCHARD: Thank you, Mr. Speaker. My supplementary question to the Minister of Agriculture. In view of his answer that his department participated in the drafting of these regulations, did his department approve of the draft that was sent out to the various weed districts and municipal government bodies throughout the province?

HON. B. URUSKI: Mr. Speaker, the Honourable Member for Pembina should be aware of the process within government and between professionals that professionals in the industry do not always agree. They do not, Mr. Speaker, and it is nothing new, whether it be between the Department of Environment and the Department of Agriculture, the Department of Natural Resources or others. There can be a professional difference of opinion but, Mr. Speaker, there is nothing within government that says that every governmental department should 100 percent agree with what another department is putting forward when they are asking for representations and consultations and input from

the public, especially if it happens to be a discussion document for input from the public. But to suggest that everyone has to be in total agreement on a document being put forward in one department, Mr. Speaker, I think is not recognizing the facts of life in the province and the fact that there can be a professional difference of opinion even unapproached between two departments. This certainly wouldn't be any different on this case as on many other matters.

MR. SPEAKER: Order please. The time for Oral Questions has expired.

The Honourable Member for Minnedosa.

MR. D. BLAKE: Mr. Speaker, I'm sorry I wasn't here for the immediate opening. I would like to have leave of the House to revert back to presenting petitions, that I might present this to the page?

MR. SPEAKER: Does the honourable member have leave? (Agreed)

PRESENTING PETITIONS

MR. CLERK: The petition of the Agricultural and Community District of Newdale praying for the passing of An Act to amend An Act respecting The Agricultural and Community District of Newdale.

MR. SPEAKER: The Honourable Member for Arthur on a point of order.

MR. J. DOWNEY: Mr. Speaker, I wonder if I could have leave to make a short non-political statement?

MR. SPEAKER: Does the honourable member have leave? (Agreed)

NON-POLITICAL STATEMENTS

MR. SPEAKER: The Honourable Member for Arthur.

MR. J. DOWNEY: Mr. Speaker, the provincial exhibition in Brandon, the Summer Fair, has an annual King Farmer Award.

Mr. Speaker, I'm pleased to announce to the Assembly and hope they would support me in congratulating for the third year in a row, a winner from Arthur constituency, Mr. Ron Bowden. He didn't win it three years in a row, but a member of the constituency did. The first two years Glen Caldwell won it, so I think it's extremely interesting to see that the King Farmer continually comes from the southwest region of the province.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. SPEAKER: The Honourable Minister of Business Development.

HON. S. USKIW: Mr. Speaker, perhaps the same courtesy could be extended to me as well.

MR. SPEAKER: Does the Honourable Minister have leave? (Agreed)

The Honourable Minister of Business Development.

HON. S. USKIW: Mr. Speaker, just a few days ago the reeve of our municipality at Brokenhead was named "Farmer of the Year" and I think that ought to be noted as well. For all those that may not know the person, his name is Clarence Baker and he has a large farming operation north of Beausejour.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. SPEAKER: Order please.

The Honourable Member for Pembina on a point of order.

MR. D. ORCHARD: Mr. Speaker, I wonder if I might have leave for a non-political statement?

MR. SPEAKER: Does the honourable member have leave? (Agreed)

The Honourable Member for Pembina.

MR. D. ORCHARD: Thank you, Mr. Speaker.

I want to join with my friend and colleague, the MLA for Lac du Bonnet, in congratulating his constituent for being the master farmer of Manitoba, because that has been something that has consistently come from Pembina constituency and I'm glad it's gone elsewhere in the province.

ORDERS OF THE DAY

MR. SPEAKER: The Honourable Government House Leader.

HON. A. ANSTETT: Mr. Speaker, would you please call the second reading on Bill 14, and following that the adjourned debate on Bill No. 27.

SECOND READING

BILL NO. 14 - THE JOBS FUND ACT

HON. E. KOSTYRA presented Bill No. 14, seconded by the Minister of Energy and Mines, The Jobs Fund Act; Loi sur le fonds de soutien 'l'emploi, for Second Reading.

MR. SPEAKER: It is moved by the Honourable Minister of Culture and seconded by a member that's not in his seat . . .

Would the Honourable Minister have the bill seconded by a member who is present in his seat?

HON. E. KOSTYRA: The Minister of Agriculture.

MOTION presented.

MR. SPEAKER: The Honourable Minister.

HON. E. KOSTYRA: Thank you, Mr. Speaker.

Both the Throne Speech and the Budget Address emphasized the important new long-term economic development opportunities, which are open to Manitoba and they explained that to take advantage of these

opportunities it is essential that we take action now to invest in the future of our province. This legislation, alongside The Appropriation Act and The Loans Act, will help provide the authority to do just that.

Members will recall that the Jobs Fund legislation was passed by the House last year and of course it remains in effect. That legislation could continue to stand in its present form, however we have been advised by staff, as well as by Legislative Counsel, that it would be preferable to revise the legislation this year, in light of the broadened and extended mandate of the Jobs Fund.

The main reasons have been explained with the emphasis on long-term development opportunities in 12 target sectors, the emphasis on expanded co-operation with the private sector, especially to encourage investment and permanent job creation, and the use of new policy instruments, such as development agreements to achieve these objectives. All these priorities are reflected in new legislation.

We are also advised that since we are considering amendments to the act in any case, it would be useful to consolidate in The Jobs Fund Act a number of Job Fund related provisions that appeared last year in The Loan Act (2), and which might otherwise have been reintroduced annually in similar legislation.

It was also suggested that if we were to undertake a general revision of the act, we'd repeal last year's legislation as well as The Winter Employment Act, since the new legislation makes both unnecessary. This is also being proposed.

Instead of waiting until clause-by-clause review of the bill in committee, Mr. Speaker, I thought it would be helpful to members if I were to table at this time a comparison to the provisions in the current bill with last year's legislation. This summary shows that most sections in the present bill are similar to legislation passed by the House in 1983.

I don't propose at this stage to take a lot of time reviewing the general principles involved in this bill and in our general approach to economic development. Those subjects and the accomplishment of the Jobs Fund have already been discussed at length and there will be further opportunities for debate when the Jobs Fund Estimates are dealt with in Committee of Supply.

The most important point I think was made by my colleague, the Minister of Finance, when he stated in his Budget that the Jobs Fund has made a difference, a key difference to our province's current economic situation and to our prospects for more solid stable growth in the years ahead. The difference clearly shows in our unemployment rate, again the lowest in Canada last month, and in the increased number of employed in our province. In our overall population growth there's an extremely encouraging investment forecast and in other indicators which signal the recovery which is now under way in our province.

We acknowledge that the Jobs Fund isn't the only reason for this favourable performance but it has been a key factor and it will go on being that main focus of our government's long-term economic development strategy. We see the Manitoba Jobs Fund remaining in effect, for at least the next three years and probably longer.

This year a total authority of \$210 million is being proposed for the Manitoba Jobs Fund for investments

in several key sectors, investments which we expect to help generate substantial additional investment from other governments and from the private sector.

Some recent examples are the subsidiary agreements which have been signed under the Canada-Manitoba Economic and Regional Development Agreement. The province's contribution under seven of the eight ERDA subagreements signed so far will be financed through the Manitoba Jobs Fund. The only exception is the Mineral Development Agreement. The federal contribution will be on top of our Jobs Fund investment.

So far the federal commitment out of a total of close to \$400 million for the eight subsidiary agreements is approximately \$240 million. This investment will be targeted to priority sectors which we, ourselves, have identified in co-operation with the Government of Canada.

Mr. Speaker, my colleague the Minister of Energy and Mines has advised the House of potential major investments in the resource field, some of which could get under way in the near future. Here, too, the Manitoba Jobs Fund is expected to play a large role in project financing and insuring that Manitoba and Canadian economies derive the maximum benefit from the billions of dollars involved in these investments.

Before concluding, I might add as a sort of footnote, that in its Budget this year, the Ontario Government, which is known for recognizing good ideas when it sees them, Mr. Speaker, introduced not one but several job creation and economic development funds in its Budget.

These funds include an Ontario Youth Opportunities Fund, an Ontario Skills Fund, University Research Incentive Fund, an Automotive Parts Investment Fund, an Enterprise Growth Fund and others which are more narrowly targeted than ours but they appear in a number of respects to have been inspired at least in part by the success of the Manitoba Jobs Fund.

Mr. Speaker, in its first year the Manitoba Jobs Fund proved its value to the people of Manitoba. With the passage of this bill, the Jobs Fund will go on playing a leading part in supporting our recovery. I commend it to the House.

Thank you, Mr. Speaker.

MR. SPEAKER: Are you ready for the question?
The Honourable Member for Lakeside.

MR. H. ENNS: Mr. Speaker, I move, seconded by the Honourable Member for Turtle Mountain, that debate be adjourned.

MOTION presented and carried.

ADJOURNED DEBATES ON SECOND READING

BILL 27 - THE FINANCIAL ADMINISTRATION ACT

MR. SPEAKER: On the proposed motion of the Honourable Minister of Finance, Bill No. 27, the Honourable Member for Turtle Mountain.

MR. B. RANSOM: Thank you, Mr. Speaker.

I had hoped yesterday that when the Minister introduced this bill, that he would have been more

forthright in explaining to the House what this bill is about.

Before I commence to speak on this, Mr. Speaker, I wish to put on the record that this places me personally in somewhat of a difficult position because the Minister of Finance arranged some two or three weeks ago for his staff to give me a briefing about the intention of this bill and some information was provided to me. The Minister has chosen not to provide the same kind of explanation to the House and to the public.

Since I have not been asked to treat that information as confidential and assuming that the Minister of Finance . . .

MR. SPEAKER: Order please. The Honourable Minister of Finance on a point of order.

HON. V. SCHROEDER: Mr. Speaker, I believe that that remark requires clarification. When the member had met with my staff a week or two ago, it was on a confidential basis. When he met with them yesterday it was made clear to him that anything that had been told to him was not to be in confidence and that anything that they had communicated to him, he certainly is free to communicate that in the House.

I would expect that we will be discussing that when we get into committee.

MR. SPEAKER: It was not a point of order. It might have been a matter of clarification.

The Honourable Member for Turtle Mountain.

MR. B. RANSOM: I thank the Minister then for that because he's saying that any information that I have been provided with is completely open. I'm pleased to have that kind of statement from the Minister because it removes me from any position of feeling that there might have been some breach of confidentiality by talking about it. I thank the Minister for that.

When he introduced the bill yesterday, he gave a very brief explanation. For the sake of the record and anyone reading the record, I will read his comments from yesterday into the record. I quote, "The amendments contained in this bill will permit the government to invest in a corporation or corporations which will be controlled by government but will be able to finance at more favourable rates than would normally be available to a Provincial Government. This would be by way of issuing preferred shares offered to the public at rates lower than rates available in the public bond market. Shares would be non-voting and would be redeemable by both the investor and by the government acting through its corporation after a five-year period."

Mr. Speaker, what the Minister and the government are proposing to do is to take advantage of tax benefits offered to buyers of preferred shares. What they are in effect going to do is use what is commonly referred to as a tax loophole. The kind of thing that the Member for River East has referred to as being something despicable, Mr. Speaker.

What the government is going to do is to establish two corporations which can certainly be described as dummy corporations. They are going to be holding corporations. Those two corporations are then going

to go out and publicly buy an existing corporation that has some record of having earned a profit over the past five years.

They then will have that corporation buy assets from the Provincial Government.

A MEMBER: Buy a provincial asset, the Norquay Building.

MR. B. RANSOM: They will be buying assets from the Provincial Government and subsequently leasing those assets back to the government, perhaps to a Crown corporation and manipulating the revenue in such a way that the corporation while it is and has to be a taxable corporation, to qualify for this preferred treatment, they will manipulate the income to the point where there will not be any taxable income in the hands of that corporation.

They will be selling preferred shares to the public at a lower rate of interest than the government can get money directly on the bond market. They're able to do that because of the preferred tax treatment through the loophole.

So what the government is doing is developing an elaborate scheme, an elaborate scam if it was done in the private sector, Mr. Speaker, to be able to have the provincial taxpayer, beggar the federal taxpayer because it is the federal taxpayer that is going to pick up the cost of this.

I think that is an extremely unwise action on the part of the province that has such extensive dealings with the Federal Government in terms of cost-shared negotiations, because the Federal Government is going to be in a position to deal with this kind of action, Mr. Speaker. So, what we have is manipulation pure and simple, manipulation of a legal loophole in order that the taxpayers of Manitoba can extract from the federal taxpayers, through the means of establishing corporations that meet the intention of the law but there is no real intention of them operating according to business principles, of trying to make a profit, and what the government is doing - this government that condemned our previous government for proposing to sell an undivided interest in a power dam - is now going to sell shares in government assets. They will be selling shares, who knows - in the Norquay Building, in the Hydro building; they are going to be selling shares to the public. What we have seen here, and this is a sad commentary on the time, Mr. Speaker, that the government has been reduced to this kind of manipulation to raise the money that's necessary to finance the enormous borrowing requirement and the enormous deficit of this government.

Mr. Speaker, I find it a very sad commentary that that is the level to which we have been reduced in this province and nationally, because I understand the situation that the province finds themselves in, that the Federal Government is taking up an enormous proportion of the capital that's available in Canada. Estimates range up to 80 percent of the available capital in Canada is taken up by the Federal Government and so Provincial Governments are forced to borrow outside; private sector is forced to borrow outside, but for this Provincial Government to have to stoop to this kind of manipulation, especially when we have been

asked by the Member for River East in a resolution before this House to condemn this very type of thing - this very sort of loophole - that makes the situation even more difficult as far as I'm concerned, Mr. Speaker.

My colleague from Morris says, "There is no principle involved here," and I agree, Mr. Speaker. As a means of raising money, it technically is a crafty sort of maneuver to raise money, but as something that has any principle to it, as a Provincial Government representing provincial taxpayers vis-a-vis the federal taxpayers, I think it is a cheap kind of a scam, Mr. Speaker, and it is not one that members on this side of the House are going to support. Even though the government requires the money and they may expect to use that money in a way that would be laudable, we cannot and we must not lose sight of the fact of how this situation is being set-up, how this manoeuvre is being put together.

It reminds us of the kind of move that the government made on the payroll tax, that one of the motivating drives behind the payroll tax was to be able to get the Federal Government to get some money out of the federal taxpayer for the provincial taxpayer. I think the government suffered some embarrassment over that. I don't believe that the relationship between the Provincial Government and the Federal Government was enhanced by that and it is certainly not going to be enhanced by this kind of effort. I would expect that this is going to be a one-shot deal. The government obviously has to move very quickly on this. They want to get the legislation through as quickly as they can and get the issue out there and try and get it sold before the Federal Government has an opportunity to close this loophole, which the Federal Government will do; it will do, Mr. Speaker, I'm sure.

So, Mr. Speaker, that is the way that it is going to work. I do wish that the Minister had explained to the House how it was going to work, but he did not and he gave me the freedom to do so, so I lay that before the House and I know that some of my colleagues are going to wish to debate this issue as well. In principle, I don't know how the Minister is going to be able to defend what this change in the financial administration indicates what the government is going to do, Mr. Speaker.

MR. SPEAKER: Are you ready for the question?

The Honourable Minister of Finance will be closing debate.

HON. V. SCHROEDER: Thank you, Mr. Speaker.

Just a couple of words on the effect of what it is that we're doing here. As the member indicates, there is a proposal that we have before us to proceed with the issuing of preferred shares in a Crown Corporation to private investors. I'd just like to make one set of distinctions and that is the distinction between preferred shares and common shares. In fact, I would suggest that the issuing of bonds, as we do now commonly to private investors, is much more similar to the issuing of these types of preferred shares than is the issuing of the common shares to these shares, because first of all, these preferred shares don't vote; common shares do vote ordinarily. These shares can be cashed in, we can call them in after a five-year period, ten-year period,

whatever is contained in the agreement at the same price at which they left the treasury. If we called them in early, there may be a bit of a penalty, but if we call them in on the day that we agreed to call them in, it would be the same price and that's identical to the way in which we pay off our bonds.

Really, the issue is, do we take advantage of this mechanism for obtaining money at lower cost to the taxpayer or do we not do that? Do we take this opportunity, possibly, to get money at 3 or 3.5 percent lower than we would otherwise to pass that money on to people who might want to build a home, or to people who might want to do other things in terms of business or agriculture in the province? Do we tell someone who wants to build a home, "No, we're not going to do this. We would rather go by way of bonds," and ask for 3 percent more, or go this way and ask for 3 percent less? I think that that is the real issue that has to be decided.

The member is perfectly right when he says that there is pressure on the Provincial Government in terms of the amount of borrowing we can do in the country. He's right when he says that it may have some impact on the Federal Treasury, although it will have an impact on the Provincial Treasury on the other side too, because if they're purchased here, there is some reduction in provincial income tax. The consideration was, how much do we have to pay for money, not is somebody getting burned, because if we borrow out of the country at 8 percent, or whatever the number is, the Federal Government isn't getting any tax revenue on that either. If we borrow in Switzerland or in the United States, there is no income flowing through the Federal Government from the money that we're paying out, it doesn't matter to them if we go there instead, so we have to keep that in mind.

Again, I just emphasize that there is a considerable difference between repurchasing these shares at the end of the period, whatever it might be, and repurchasing a common share where you then have to pay in addition to what the price was at the time of sale, the added value in the meantime.

MR. SPEAKER: The question before the House is the proposed motion of the Honourable Minister of Finance, Bill No. 27.

QUESTION put, MOTION defeated.

MR. SPEAKER: The Honourable Government House Leader.

HON. A. ANSTETT: Yeas and nays.

MR. SPEAKER: Call in the members.

Order please. The question before the House is the proposed second reading of Bill No. 27. Those in favour, please rise.

A STANDING VOTE was taken, the result being as follows:

YEAS

Adam, Anstett, Ashton, Bucklaschuk, Carroll, Cowan, Desjardins, Dodick, Evans, Eyer, Fox, Harapiak, Harper,

Hemphill, Kostyra, Lecuyer, Malinowski, Parasiuk, Pawley, Penner, Santos, Schroeder, Scott, Storie, Uruski, and Uskiw.

NAYS

Banman, Blake, Brown, Downey, Enns, Filmon, Graham, Hammond, Johnston, Kovnats, Manness, McKenzie, Mercier, Nordman, Oleson, Orchard, and Ransom.

MR. CLERK: Yeas, 26; Nays, 17.

MR. SPEAKER: The motion is accordingly carried.
The Honourable Minister of Finance.

HON. V. SCHROEDER: By leave, if I have leave, Mr. Speaker, I would move, seconded by the Minister of Municipal Affairs, that Mr. Speaker do now leave the Chair and the House resolve itself into Committee of the Whole to consider and report of Bill No. 27, An Act to amend The Financial Administration Act, referred for third reading.

MOTION presented and carried and the House resolved itself into a Committee of the Whole to consider and report of Bill 27 with the Honourable Member for Burrows in the Chair.

COMMITTEE OF THE WHOLE HOUSE

BILL 27 - THE FINANCIAL ADMINISTRATION ACT

MR. CHAIRMAN, C. Santos: Committee, please come to order. We are to consider this bill page-by-page or in its entirety? — (Interjection) — Page-by-page.
The Member for Morris.

MR. C. MANNES: Mr. Chairman, I would ask the Minister, I have information that indicates the province would indirectly acquire all the common shares of the corporation with a five-year earnings record. Could the Minister tell me what is meant by indirectly acquired? How is this proposed new set of corporations going to indirectly acquire common shares of the corporation, the five-year earning record?

MR. CHAIRMAN: The Honourable Minister.

HON. W. PARASIUK: To another Crown corporation, Mr. Chairman. The five-year profitability refers to a taxable Canadian corporation. It has to be a taxable Canadian corporation with a five-years' profit record.

MR. C. MANNES: Well, I understand the provisions that have to be met so as to allow for the favourable tax treatment. I would further like to ask the Minister, when we talk about a five-year earnings record, obviously that doesn't mean then that there has to be profit associated with it, or are these the two corporations that are going to be set up, or any number of the corporations that are going to be set up? Are they the ones that are going to have a five-year earnings record, or are they the corporations which may be

purchased. The shares of a public corporation that may be purchased by these two newly instituted dummy corporations, if you will. Does that area have to have an earnings record over five years? Which area is going to have to show that earnings record?

HON. W. PARASIUK: The corporation owned indirectly by the Crown.

MR. C. MANNES: Mr. Chairman, my concern isn't, I suppose, the nature of the financial instrument that the government is attempting to bring forward, because as one listens to the Minister's presentation just a few minutes ago, where he indicates that in many respects, this is no different than a bond instrument that is available to investors.

I suppose I can't disagree with him except there are two areas that are of great concern to me. Regardless of whether the shares that people have, private individuals have, within this new corporation are voting or not still represents an equity position. I find it hard to believe that in fact this particular government would be prepared to offer equity position in public assets.

My further concern is to how the government, in its attempt to bring forward large amounts of capital which they so obviously desperately require, how they feel that this particular instrument of attempting to garner a larger share of the available Canadian capital supply, how this particular instrument, the same thing that I would suppose the power corporations and the Conrad Blacks of the world would use to turn over their large corporate empires, I'm wondering how the government can at all feel like this is the instrument to use. It must be totally in opposition to their philosophy, certainly in total opposition to comments made on several occasions by many of their members. I feel that it's important that all people realize that what the government is doing is offering an equity, a direct equity position to investors within this province.

HON. V. SCHROEDER: Mr. Chairman, just in reply to that. The issue that we are doing or proposing to do will provide people with rather than a bond, as we and previous governments have, a preferred share. A bond has a specific period of time after which it must be repaid. Similarly this preferred share will have a specific period of time at which we redeem that share at the same price the individual paid for it. The difference is that the individual is receiving dividends rather than interest, dividends that are about 3, 3.5, 4 percent lower than they would receive in interest and we have two choices. We can go with interest and pay 3, 3.5, 4 percent more, or go with dividends and pay 3, 3.5, 4 percent less and that's the issue.

At the end of the term of the preferred share, there is no longer a preferred share; it's wiped out. It's quite different from what is ordinarily considered by individual Manitobans as equity. Equity - they say I have equity in my farm corporation or in my farm and when the value of equipment, livestock, inventory, land goes up, their equity value goes up. That doesn't happen here.

If the value of a particular asset within that corporation is enhanced during that period and it will be - and the Member for Turtle Mountain mentioned government office buildings - they will, in all likelihood, be in the

corporation. When the values of those buildings goes up, as they will with inflation, the preferred shareholder will receive no benefit. Those benefits will be to the benefit of the taxpayers of Manitoba in that they're paying less rent and so on than market value.

So let's make it very clear that this is quite different from what is ordinarily considered to be equity, in that there is no increase in asset value to the shareholder, and there is a time specific at the end of which the government calls these shares in with no right to retain by the shareholder, no right to retain at all. We don't have the ideological blinkers that would tell us that if something is called a share that therefore we will not do it. If it's called a bond but it costs us 4 percent more, we will do it. We will look at the actual transaction and if the transaction puts us in such a position that we're not damaging the future well-being of the taxpayers of the province by allowing the increase in asset value to accumulate in the hands of private individuals, then we will go ahead with that.

This is the precise opposite of what Conrad Black does. Conrad Black works these arrangements in order to concentrate power and capital in the hands of the few. We are using this instrument to provide capital into the hands of the many, at lower interest rates to the home-owners in this province, to the small businesses in this province, to agriculture in this province, and people who suggest that this is similar to what Conrad Black does, what Massey-Ferguson does, just don't understand the nature of this transaction.

MR. C. MANNES: Mr. Chairman, I'm wondering if the Minister could tell me how I, as an individual investor wanting to buy preferred shares under this new program, what would my share certificate, what would it spell out specifically on it? What would I be a part owner of?

HON. V. SCHROEDER: You would be — (Interjection) — No, not all the assets of the people of Manitoba, you would be a shareholder — (Interjection) — Just a second . . .

HON. R. PENNER: You'd be a preferred shareholder in a specific corporation.

HON. V. SCHROEDER: You would be a preferred shareholder in a specific corporation, indirectly owned by the Crown with payment of the dividends basically guaranteed by the Province of Manitoba, in the same way that the Province of Manitoba guarantees that when we issue bonds to bondholders, that we will repay with the interest that's shown on the coupon.

MR. CHAIRMAN: The Member for La Verendrye.

MR. R. BANMAN: I wonder if the Minister could inform the House, since this is really a tax evasion scheme, what the costs . . .

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order please. What is the point of order?

HON. V. SCHROEDER: Mr. Chairman, the Member for La Verendrye has accused the government of an illegality, evading taxation. That is absolutely incorrect. It is an avoidance arrangement for some people possibly, but keep your terminology . . .

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order please, order please. There is a distinction between avoidance which is legal, and evasion which is illegal.

MR. R. BANMAN: Mr. Chairman, in order to arrive at the saving to the province, the Minister is telling us that in order to arrive at that saving to the individual person, that person will be paying less income tax and that's where this money comes from. What he is telling us is that the Federal Government and Provincial Governments will be losing revenue because of this deal. Could he confirm that?

HON. V. SCHROEDER: Well, Mr. Chairman, the province will certainly lose some tax revenue, but certainly nowhere near the amount that we will save in interest payments. The people who will benefit in Manitoba - I'm not talking about the people who invest in this, the trust companies and other corporations - I'm talking about the people who will be able to build a home and get a reasonable interest rate on their mortgage. I'm talking about the small business who may be able to get reasonable rate of loans from corporations indirectly controlled by the Crown. I'm talking about agriculture which may be able to obtain loans at more reasonable rates as a result of us obtaining loans at more reasonable rates.

MR. R. BANMAN: The Minister is saying that people will invest and buy these because there will be a tax saving to them. The person that is going to buy equity is going to buy one of these positions within one of these dummy companies, preferred shares, is going to save on taxes.

Well, Mr. Chairman, if that individual is going to save on taxes, that means that that person will not be paying taxes, which he normally would be paying. So what's going to happen is the Federal Government is going to lose, according to the Minister's words, the bulk of this money. In what? In taxes, and the province will also lose some money.

So, Mr. Chairman, what the Minister is seeing is that while the province is going to lose a little bit, the feds are going to lose more. Mr. Chairman, what we are seeing here now, is a situation developed and let it not be misunderstood, this is a tax evasion scheme. We are trying to allow the tax system and the loopholes within the tax system to work to the benefit of the investor, and the government intends to profit from that loophole and from that evasion. So that's what's happening.

So, really what we're saying here is, he is trying to develop a transfer payment sort of a situation, where is taking from the larger pie; namely, the Federal Government's income tax, and trying to take from the federal tax person, who I happen to believe in many instances - I think when I looked at my last return that

I filed I think there was a substantial amount of my money that went to the Federal Government, so I guess I'm one of those people too - but really what's happening, Mr. Chairman, is that we are employed in a venture here, which I find incredible for an NDP Government to be considering. They're going to set up a number of dummy corporations, and through those dummy corporations are going to sell preferred shares to investors who will buy those shares. Why, Mr. Chairman? Because they can reduce their taxes if they buy this. So, Mr. Chairman, that's what is happening clearly here.

Mr. Chairman, the government in its drive and thirst for dollars, is looking at developing a tax evasion scheme for this province in order to raise \$100 million or \$150 million. Now I say to the Minister and maybe you can explain this. If he is saying that the cost to the province will be three or four percent under the scheme; could he tell me two things? What percentage of the amount of money that's going to be saved will be a reduction in our revenues in the province and what percentage will be at the federal level. That's number one. In other words, what will province lose and what will the Federal Government lose under this tax scheme?

The other question of course is, if we are looking at raising \$100 million or \$150 million and we are resorting to this type of gerrymandering the system to arrive at 8 percent interest rates or 7.5 to pass that on; why doesn't the Minister then - he came back from Switzerland and touted some fantastic Swiss loans - why doesn't he go out there and make a 7.5 percent or 8 percent Swiss loan, which he said was a very good rate, and use that money instead of going through this system?

The final question, of course, I have is: if we are resorting to raise \$100 million or \$150 million in this manner at this time, how in the world does he ever expect to raise the \$3 billion that we're talking about at Limestone? How are we going to raise \$400 million to go into Alcoa?

Mr. Chairman, it really begs a lot of questions, because this is a pretty cheap way for a government to get involved in raising funds and especially a New Democratic Government.

Mr. Chairman, isn't it wonderful - you look through your resolutions and here the Member for River East has got a resolution condemning the loopholes in the tax system and how it should be changed and decrying the problems that are being created. Now what happens? A couple of weeks later the NDP come in with a tax evasion bill and the Member for River East votes for it, so where does he stand on this whole thing?

I say to the members opposite, I say to the members opposite, we're looking at raising and I know the Minister wants to - we'll get up and say well, we want to use it for housing, to reduce some of the costs with regards to that. We want to use some maybe for farmers, but I would point out to him, this morning at committee, we were informed that the province has loaned in essence, through preferred shares again I believe - wasn't it? - equity position, has given Manfor \$160 million and Manfor isn't paying any interest on it.

Mr. Chairman, if the Minister really believes that this type of gerrymandering in the whole scheme of total

borrowing situation is going to solve any major problems, I just suggest to you, it just shows what bad financial shape we're in in this province, how badly these people need money and to the length that they'll go to really to basically go ahead and forsake a position which has been enunciated by the Member for River East and by many members opposite, decrying the loopholes in the tax system.

They are now taking advantage of the loopholes in the tax system, and I say to the members opposite, it's a very interesting day that we have definitely seen here today.

I tell you, it will raise a lot more questions. When they were in opposition they chastised the then government in dealing with Alcan trying to raise funds on an undivided interest in a dam, which in essence amounts to almost exactly what's happening here. It's the same thing. It would have raised \$500 million for the province, which we wouldn't have had to borrow.

Now we see today, that when in government, when faced with a deficit which they are trying to bring down, when they're faced with a problem of trying to raise capital, they will really, Mr. Chairman, go ahead and take a - Mr. Chairman, I won't use the word because it's not parliamentary - but they do a 180 degree turn.

I say to members opposite, here we are a short two-and-a-half years later, after you were concerned about dealing with a number of so-called sell-outs and giveaways, we're now going to form a corporation where we're going to sell the Legislative Building; we're going to sell the Golden Boy, but really we won't sell it because it's preferred shares and we can take it back, we're going to reap the profits of it.

Well, Mr. Chairman, it sure sounds like an Alcan deal to me. The very kind of deal . . .

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order.

MR. R. BANMAN: No, I said the right thing.

It sounds like the very deal that the members opposite decry when they were in opposition, because what it is, it's a bill which shows the hypocrisy of members opposite and the desperation that they are in, in bringing forward a bill which is nothing but an NDP tax evasion scheme.

HON. V. SCHROEDER: Mr. Chairman, the Member for Sturgeon Creek must be embarrassed listening to that nonsense. There was a rational discussion last night about another arrangement where people had equity in a power dam. It was up near Flin Flon and there was a discussion about how people had equity in it and it went up by what? Ten times over a matter of 20 or 30 years. First of all, the dam was built for about \$7 million, then was sold for \$70 million. That is an equity position. Let's say 50 years later, that is an equity position, that is an equity position.

In this particular case, when the 10-year period expires or the 5-year period expires, the sale price will be the same as the purchase price in the first place. If the member doesn't understand the difference between that arrangement and this one, then I don't think he deserves to be standing up and discussing this kind of an issue.

If he doesn't understand the difference between borrowing Swiss francs at 7 percent and entering into this kind of an arrangement at 7 or 8 percent, where we don't have any risk of exposure in foreign currency, then I don't really think he deserves to be standing up and talking about the finances of the Province of Manitoba.

In one area, he had an interesting point. — (Interjection) — Well, maybe you should feed some of that to the Member for La Verendrye, because he's certainly demonstrated that he does have no concept of what this arrangement is all about. He was asking the cost of this to the Treasury of Manitoba and to the Treasury of Canada, and that's not a bad question, but he was trying to imply that somehow there was a big, big cost to Manitoba. Probably no more than 5 percent of these preferred shares will be sold in Manitoba, so we're not looking at a very large slice of any cost, the other 95 percent will be in other parts of the country.

We hear — (Interjection) — "Rip off B.C.," he says. Mr. Chairman, if he had read the Financial Times of yesterday, he would see, "B.C. Rail's unique share issue opens up new possibilities." There is a Crown corporation in the Province of British Columbia who have entered into the identical kind of an arrangement where they have sold preferred shares across the country, shares that are redeemable by the Corporation after a period of time. Mr. Chairman, it's a brand new company purchased with a five-year tax profitable Canadian corporation, the same arrangement that we're going through here, no difference.

Now, Mr. Chairman, we have to get some of these facts on the record, even though the opposition may not want us to be talking for a long period of time.

The Financial Times also refers to a senior official in the Saskatchewan Department of Finance, who says his ministry is looking at the possibility of Saskatchewan Crown corporations following B.C. Rail's example.

The point is, Mr. Chairman, that we are not changing, in the end, the amount of taxation or revenue available to governments in this country, because if the individuals or corporations who are buying these preferred shares would not buy these preferred shares, they would buy another set of preferred shares. That is the way the market works. There is no way that we are taking one penny out of the pocket of the Federal Government or out of our own government in the end, because those very same investors would be purchasing elsewhere, and again this article refers to an individual who makes that point about the net end result.

The question then comes down to the philosophical issue of, "Do you want this cheaper money to be available to build monuments for banks in the City of Toronto or do you want that cheaper money to be available to build homes, businesses and farms in the Province of Manitoba?"

MR. CHAIRMAN: The Member for Lakeside.

MR. H. ENNS: Mr. Chairman, you know, desperate governments do desperate things and we're about to witness a desperate government engaging in really an astonishing desperate action to raise money.

The Attorney-General from his seat said, "If we are supporting this kind of venture, why aren't we voting

for this bill?" The difference, of course, in terms of raising money the way it's being suggested by the Minister in this bill is that we are using a tax loophole to do it, whereas the going out and offering to a corporation, like Alcan, to help us finance a worthwhile and major undertaking in the Province of Manitoba, Nnt a monument, not a bank building, but indeed something that would work for the benefits of Manitoba for future generations to come; we are tapping and doing just the reverse; we're using the private wealth of the country to help us further a worthwhile project. But that, Mr. Chairman, just a few short years ago was described as a sell-out, Mr. Chairman.

Mr. Chairman, to some extent perhaps I have to acknowledge the government got away with influencing too many Manitobans along that erroneous path. I suggest, Mr. Chairman, what this Minister is doing today, what we're doing today is wiping out any debts that might have accrued to us during that propoganda cry when the Alcan deal was in the offing, Mr. Chairman, because it's now going to be very easy and understandable to most Manitobans that really, all that they are talking about is they weren't proposing the deal, we were, and they wanted to somehow knock it.

It's going to be all the easier, Mr. Chairman, for us in the next little while to really have Manitobans wondering why we should be putting up upwards to \$3.5 billion. By the way, Mr. Chairman, as the Member for La Verendrye suggested, raising the kind of money that this measure will raise, will not pay the interest on that kind of money in any given year, but this government's attempt to lure and to entice and to bring a large multinational aluminum corporation to Manitoba, we are going to have to put up \$3.5 billion; whereas they said to an Alcan, a Canadian venture, that would have had the private sector put up \$1.5 billion for the same amount of permanent jobs, for the same use of our natural energy and for the same economic spinoff benefits accruing to all Manitobans with that kind of development, Mr. Chairman.

Mr. Chairman, what we're getting to understand is the kind of Orwellian 1984 language that is being used by this government. This morning, Mr. Chairman, we were trying to find out, my colleague the Member for Turtle Mountain persisted over half an hour to try and find out what in the mind of a Minister of this Crown was meant when he suggested a reasonable return on investors' investment. What did he mean by reasonable return?

I know what most farmers understand to be a reasonable return. I know, when I was in government as Minister of Agriculture, what a reasonable return meant. As the Minister responsible for the Manitoba Agricultural Credit Corporation, I lent a farmer \$50,000.00. We lent it to him at an interest rate to cover the cost of the money that it cost the province to borrow the money, plus a few points to cover the administration costs. The Manitoba Agricultural Credit Corporation was not a private organization, was not the Toronto-Dominion Bank trying to make money, but the investor, in this case the people of Manitoba through their agency, the Manitoba Agricultural Credit Corporation, wanted return on their loan, on their investment to the farmer, the cost of the investor and some extra points to cover the administration costs. That to MACC represented a reasonable return. We, the taxpayers in Manitoba,

have \$160 million invested in Manfor. and we were simply trying to ask the Minister responsible for Manfor, what does he think is a reasonable return? Based on today's interest rates, I think we can assume that that \$160 million, if we just put it in the bank, would return some \$20 million.

On the same example that I used with a farmer, would it not be reasonable to assume that a reasonable return, and that statement was made by the Minister and is in the Manfor report, a reasonable return meant that the \$160 million that the shareholders, the taxpayers of Manitoba had invested in Manfor, can only be satisfied once Manfor produces, at minimum, \$20 million to cover those interest costs. Then I say, fine. I'm even prepared to say, despite the fact that perhaps some should say there ought to be some additional profits attached to laying out that kind of money, but for the social benefits of providing jobs, for the use of an otherwise deteriorating resource, I'm fully supportive of the Manfor operation if it returns to the taxpayer, the shareholders, the cost of the money that we initially and continue to put into the business.

Mr. Chairman, those kind of questions become very important when we have the Energy Minister standing up here talking to us about reasonable return - a \$1.7 billion return on selling power to the Americans. I want to know, what is the definition of a reasonable return? Mr. Chairman, I want to understand what this government now means; we are now dealing, and we have problems, with what should be a relatively simple term, but what is the definition of the term "equity?" This government is passing a tax dodging bill so that we can privatize, to some extent, government assets. Whether it is the Norquay Building, whether it is this building, whether it is the Golden Boy or whether it's the support generators on the Limestone Dam, a preferred share is a share; it has to be a share. Mr. Chairman, I find this action of this government totally mind boggling.

Mr. Chairman, this Minister is finally earning the name "Slippery Vic," and that name is going to stick to him by his colleagues, because again I believe that most of his colleagues don't know what he is doing. What he is just doing is he's taking away . . . and I'll acknowledge one of the strongest arguments that they had against the last Lyon Government when we were prepared to sell Alcan an undivided interest, not ownership of Manitoba Hydro, not even part ownership of Manitoba Hydro, we were prepared to sell him an undivided interest on four generators for a period of 30 or 35 years. You could call that preferred shares if you like, in 40 percent of Limestone to Alcan, so they could secure their interest on that, Mr. Chairman.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order please.

MR. H. ENNS: Well, Mr. Chairman, Bill No. 27, The Financial Administration Act, that is now being pushed through this House, and it'll go through the House but, Mr. Chairman, how hypocritical can people be?

MR. CHAIRMAN: The Member for St. Norbert.

MR. G. MERCIER: Mr. Chairman, I have a question for the government's self-styled Conrad Black, who

introduced the payroll tax. The notes which the Department of Finance gave to the Member for Turtle Mountain indicated that this would put the cash proceeds into the hands of the province which could then lend the funds at low cost to the housing corporation, Hydro, etc., or use them in whatever other fashion it may consider appropriate. There is nothing in the act, Mr. Chairman, which compels the government to use these proceeds for low-cost loans to home buyers or for Hydro projects. My concern would be, Mr. Chairman, that the funds would be used by the government in the manner in which they have in the past, to finance ever increasing deficits to pay for ever increasing advertising costs and to pay for many other projects and programs which are very questionable.

Mr. Chairman, I would ask the Minister, in view of the notes prepared by the Department of Finance, why is there no legislative requirement as to how these funds will be used?

HON. V. SCHROEDER: Mr. Chairman, it would be highly inappropriate to be referring to specific usage when we're passing a bill which will enable us to make these arrangements to obtain funding for now and into the future. The fool from Pembina wouldn't understand that. But it may well be that next year we will be using this . . .

MR. CHAIRMAN: Order please.

MR. D. ORCHARD: Mr. Chairman, would you consider asking the Minister of Finance in his parliamentary etiquette to withdraw his last comment which was totally uncalled for and demonstrates the kind of frustrated desperation the Minister of Finance is in this afternoon? Would you ask him to withdraw that last remark please?

HON. V. SCHROEDER: Mr. Chairman, maybe he isn't quite a fool.

We have arrangements in our Financial Administration Act which permit the government to obtain funds which we then disburse to a variety of agencies and operations of the Crown. This particular bill doesn't just permit us to do this particular funding at one time. It would certainly allow, unless changed again, a future government to do the same thing 50 years from now, and to specify in an act now that it would only go to two or three particular areas, I think would be most inconvenient and inappropriate.

We do pass other bills which provide for the authority for us to put money into those other ventures, corporations, such as Bill 3, The Loan Act (2), for instance, which I believe was distributed or will be distributed today, which lists a variety of agencies including the Manitoba Agriculture Credit Corporation, the Manitoba Housing Renewal Corporation and some of the business operations of government, as being recipients of capital funding which we can provide through this mechanism. So it provides for some flexibility.

MR. G. MERCIER: Mr. Chairman, in view of the Minister's comments previously and the background material prepared by the Department of Finance, what commitment can the Minister give that the funds will

be used, for example, for low interest loans to homeowners or to farmers?

HON. V. SCHROEDER: Mr. Chairman, we have I believe, in Loan Act (2), we've got somewhere in the vicinity of \$240 million in capital requirements and certainly we're looking at putting some of this money into that area. I'm not saying that every particular cent that comes through this mechanism is going to be going into three or four specific areas, it can go into a variety of areas of government, all of them saving us, the taxpayers of Manitoba, money, because if we instead went and borrowed at 4 percent higher, I don't think there's a single taxpayer in this province who would be better off.

MR. CHAIRMAN: The Member for River East.

MR. H. ENNS: Hear! Hear! Now we hear the truth.

MR. P. EYLER: Thank you, Mr. Chairman. Now you'll hear the truth, that's what the Member for Lakeside says.

I think this is probably one of the most important bills we'll be passing this Session and I'm really astounded to see the opposition voting to a man against it. It amazes me. You know, I've only been here — (Interjection) — to a man and woman. It amazes me, I've been here three years, but I would have thought I would have to have been here a lifetime to see anything like this. I'm rather honoured to see an opposition which is in so much disarray and so obviously confused in its direction and floundering about for a position to take, that they oppose everything and anything which is proposed by this government no matter how good it is for the Province of Manitoba.

I mean, let's look at the principle of this bill. It's to reduce the interest rates on the money we borrow. B.C. Rail — (Interjection) — well, Mr. Chairman, I'm not going to shout to make myself heard. I have the force of logic on my side. B.C. Rail . . .

MR. CHAIRMAN: The Member for River East has the floor.

MR. P. EYLER: B.C. Rail, I'm sure, if you were paying any attention to the Minister of Finance, has just issued a \$200 million preferred stock issue. If they are getting 5 percent less than the market price, that's \$10 million a year they're saving. If this government issued a \$200 million preferred stock issue, we would be saving \$10 million a year as well and that's what the opposition has voted against today. They voted against saving the people of Manitoba \$10 million a year. Well, that's incredible. It's absolutely incredible. I hope they run their next campaign on that issue. I can see the headlines, we voted against saving the people of Manitoba \$10 million a year and it's for your good. That won't go down very well, not at all.

What they're saying is that this tax system exists; that there are tax credits attached to the preferred stock dividends and common stock dividends and it's all fine and good for Paul Desmarais to go out and issue some preferred stock for Great-West Life, but Vic Schroeder can't do that for the Province of

Manitoba. It's okay for Conrad Black to go out and do it for Norcen Energy and Greater Winnipeg Gas, but Vic Schroeder can't do that for the people of Manitoba.

It's okay for Ian Sinclair to go out and issue preferred stock. It's okay for Ian Sinclair to do it for the CPR, but not for Vic Schroeder to do it for the people of Manitoba. Yet it's okay for Bill Bennett to do it in B.C.; it's okay for Grant Devine to do it in Saskatchewan, but Vic Schroeder can't do it in Manitoba. That reminds me of what really galls the opposition, and that's the resolution which I brought it, which they have brought into this argument, calling on the Federal Government to negotiate the basis for tax exemptions, for tax credits and for income exclusions and deductions. They seem to think there's some sort of inconsistency here between this bill and that resolution, but it's not true. The resolution simply says we want to discuss it, we want to bargain. Now what are we supposed to do, go cap in hand off to Mr. Turner and say, please Mr. Turner, we would like to talk about some of these things, you're hurting us. If you want to bargain effectively, you bargain from a position of strength. This is the bill that gives us some strength. Once you indicate to the Federal Government that these things cut both ways, then they'll bargain, so there is absolutely no inconsistency between this bill and the resolution which is before this House.

Let's look at the inconsistency of the Member for Turtle Mountain when discussing that resolution. He was referring to some tax loopholes, some incentive programs, etc.

MR. CHAIRMAN: The Member for Morris has a point of order.

MR. C. MANNES: If he's speaking to the resolution, Mr. Chairman, the Member for River East is speaking to a resolution that was debated in the House some days ago. I thought that we were debating in committee, Bill No. 27.

MR. CHAIRMAN: The Member for River East.

MR. P. EYLER: Mr. Chairman, I did not bring up that resolution; the members of the opposition brought this resolution into this debate. They thought it was relevant, therefore, it must be relevant, so I'm speaking to what they think is relevant. I am going to show how they are inconsistent in their two positions based on what they have said and based on what this bill says.

MR. CHAIRMAN: What is good for the goose is good for the gander.

MR. P. EYLER: I believe that means that I am in order, Mr. Chairman. When we were discussing those tax incentives, and they call this a tax loophole that we're taking advantage of, the Member for Turtle Mountain said that what is cynical is that the Federal Government set it up and then are critical of people because they use it. They should be critical of themselves for having established it. If they didn't like those kinds of things being done, then they should be critical of themselves, not the individual people.

A MEMBER: Exactly.

MR. P. EYLER: Okay, so why is he critical of us? The Federal Government set this up, we are using it. It's sheer hypocrisy, Mr. Chairman, that the Member for Turtle Mountain can make a statement like that and then come into this House and oppose this particular bill.

Let's look at the reality of the situation, Mr. Chairman. The problem is that the opposition has been out done in everything that's happened this Session. It really ruffles them that we have a profit-making hydro deal for export to the United States. That really gets to them, they don't like that, we outnegotiated them. The fact of the matter is that this is an entrepreneurial government, we aren't going to sit back and do nothing. We're going to get out there and we're going to look for the opportunities and, when those opportunities come up, we're going to take them, whether they be power exports to the States, whether they be aluminum smelters, or whether they be innovative financing schemes such as this one.

So I have no apologies to make for supporting this particular bill today in second reading. I think, if anything, the opposition should be totally ashamed of themselves for voting against it. I think they should also be ashamed for holding up the debate on this, Mr. Chairman. They know full well that there are time limitations on this particular bill. If they had read the Financial Times yesterday, they would have read what one of the brokerage houses says: "If this becomes a fashionable thing to do, it wouldn't surprise me if the Federal Government makes a move to redefine the dividend tax credit."

So we know that the Federal Government is looking to change it and we know it's got to be done quickly. So that is the imperative behind this particular bill. We have to get it through today, to get it out there, to get the money for the people of Manitoba. If the opposition wants to go down in history as the party which prevented the people of Manitoba from saving \$10 million a year on an innovative financing scheme, then I hope they'll reconsider their position and let this go through committee as quickly as possible.

MR. CHAIRMAN: Page 1 - the Member for Pembina.

MR. D. ORCHARD: Thank you, Mr. Chairman. A couple of questions to the Minister of Finance if he could answer them. Could the Minister indicate if he has determined a minimum subscription size for this preferred share offering?

HON. V. SCHROEDER: Well, Mr. Chairman, they're sold in lots, but the lots are split up and the price of the share would be \$25.00.

MR. D. ORCHARD: The share price is fixed at \$25, and is there a minimum number of shares that a single investor must purchase?

HON. V. SCHROEDER: No, Mr. Chairman, they're frequently split lots so you could get any number of them.

MR. D. ORCHARD: I take it from that then that I could buy a share in this if I so desired, a single share.

My second question is, the Minister has mentioned a five-year redemption period and at the end of the five years, if the circumstances indicated by the last speaker were to take place, that indeed the Federal Government closes the ability under the present act, the "loophole," in the words of the Member for River East in this resolution; if the Federal Government closes that loophole in five years time, would it be reasonable to assume that the government may well face having to come up with the entire share issue because it is no longer to the advantage of the investor to hold them and the government would have to, at that time, find sufficient funds from whatever source to retire the entire equity offering that he's contemplating?

HON. V. SCHROEDER: Well, Mr. Chairman, if we borrow the money along to a farmer or a businessman or a home-owner, it would be for the same period of time where we have a commitment, and their notes would come due at the same time. We would have to then see how we go about refinancing, either having them go through the regular channels, or else we might locate funding elsewhere. It's a possibility that the Federal Government would do this but I don't understand why they would do it if it's all right for Dome to get cheap money, if it's all right for Imperial Oil to get cheap money, then I don't understand why it's not all right for that Mr. Manitoba farmer in Pembina to get cheap money in the same way.

Really what we're talking about is attempting to get that kind of funding into this province to build our economy, and I would be quite upset, quite frankly, if a tool like this which takes, as legitimate advantage of the taxation regime of this country, as does any large corporation trading on the Toronto or Vancouver or other stock exchanges, if they can do it, then I think that we should be able to ensure that the little businesses in this province can do it, as well, especially in such a way where the bondholders are guaranteed by the Province of Manitoba.

MR. D. ORCHARD: Mr. Chairman, I appreciate the Minister's answers, but this scam has got some interesting thought behind it, some interesting philosophy behind it. This government clearly, after two consecutive years of .5 billion deficits and one projected for .5 billion in this fiscal year, this government faced with the refinancing of borrowing of issues that were originally subscribed to during the Schreyer years in offshore currency, one of which Manitoba Telephone System, six-year issue, November 1, 1977 it was taken. It was refinanced November 1, 1983; it was \$49.122 million in original funds. With the exchange rate it becomes \$57 million because of offshore currency loss. It wasn't repaid by the revenues in Manitoba's telephone system, it was simply rolled over. Those borrowings during the Schreyer years are coming home to haunt this government, plus the fact that this government, Mr. Chairman, is out of fiscal control. They are running \$500 million deficits.

My colleague, the MLA for Turtle Mountain, said that it is an institutionalized deficit, I believe is what he called it, that this government is now into. They are desperate for funds. There is a limit to the amount of money that they can borrow from the Swiss, from the

Japanese, from the Americans and from other security markets in this world - and I talk this world. To get around it, temporarily, for a trickle of money compared to what they are going to need, just to carry this year's deficit, this issue will not, I suspect, be large enough even to carry this year's deficit borrowing requirements let alone the refinancing from the Schreyer years that they're going to have to refinance and find borrowing elsewhere in the world markets.

This Minister is introducing this brand new principle. He's justifying it, Mr. Chairman, on the standpoint that he's going to be "Mr. Magnanimous" to the home-owners, to the farmers, to small businesses and provide them with low interest rate money, because he's going to take advantage of selling to a dummy corporation, buildings that belong to the Province of Manitoba and then sell shares to them. He may well sell my new hospital in Carman. He may well sell the personal care home in Morden. He may well sell this building as has been mentioned.

Then he's going to sell shares to investors. I suspect the majority of them are going to be institutional investors that will take advantage of this. Now, if he's doing it to offer to the farmers, the home-owners and the small businessmen, lower interest rates, then good heavens, the taxpayers of Manitoba would be glad to have him take another trip to Switzerland, to Zurich and borrow more 6 percent money and lend that money out to the people of Manitoba.

He talks about a 6 percent interest rate. When he borrows the money he doesn't tell the media that there is currency exchange losses that drive the effective rate of that borrowing up to, at one point, 26 percent on one of the issues we refinanced during our term. No, he doesn't tell it, but he talks about 6 percent money, leaving the clear impression with those same farmers, those same home-owners, those same small-business people in Manitoba that there is 6 percent money available.

Quit pulling off a scam and just give them the 6 percent Swiss money and the taxpayers would be glad to see you over there in Zurich borrowing it, so you could lend it at 6 percent to farmers, to home-owners and to small-business people. This scam is just an illustration of how desperate this government has become in terms of their financial requirements to mismanage the affairs of the Province of Manitoba for yet another two years. They are getting dangerously close I suspect, Mr. Chairman, to running out of people who will lend them money at reasonable interest rates. Now they're into the tax dodge scam, by setting up dummy corporations, two of them, which will jointly hold a third company which will be a purchased business in Manitoba currently operating so it has some legitimacy in the tax law of the Province of Manitoba and the Dominion of Canada that they can sell preferred shares in, preferred shares which are going to allow the selling of assets in the Province of Manitoba through the preferred share option.

Mr. Chairman, all this to give farmers, businessmen and home-owners cheap money. He can do it with his Swiss borrowings if he wants to. He can do it for five years if he wants to, which is all he claims to be doing now in his answer to me. At the end of five years if the advantage isn't there, that's the length of term that a farmer, a home-owner or a business is going to have

on this cheap money, this cheap low interest rate money is five years. If the tax loophole is closed, then the government's going to come along and demand the money back from the farmer. Have they done him a favour? What if he can't pay it back then? Are they going to break the farmer to get the money because the tax loophole on this tax scam is gone? Some serious consideration, Mr. Chairman.

What is truly incredible about this scam, Mr. Chairman, is the fact that it demonstrates to us the ultimate abandonment of socialist principles. These are now the promoters of the corporate welfare bums, because they are now in the leagues with Conrad Blacks, the Paul Desmarais, the Izzy Aspers that were mentioned so eloquently - or not so eloquently - yesterday by the Member for River East. Now we have a socialist government in league with the corporate bums of Canada, because they're setting up a tax scam through dummy corporations, through holding companies to avoid interest rates which they claim are only 6 percent in Switzerland.

Well that, sir, is the ultimate irony in this proposal. A government that is so desperate to come up with money and so afraid of whether they can get that money in the international money markets that they are now coming up with a tax scam suitable for the best of the corporate welfare bums. Mr. Chairman, if that isn't wholesale abandonment of the socialist philosophy that this government on occasion tries to cling to, I don't know what better example we need.

Furthermore, Mr. Chairman, as has been mentioned already, this is the same gang of incompetents that in 1981 defeated a government that had a proposal to bring an aluminum smelter to the province with basically the same kind of equity investment position they're bringing out now. This is selling the assets of the Province of Manitoba. This legislation, this tax scam, could sell this building, could sell the Norquay Building, could even sell that symbol to socialism, the Woodsworth Building.

Yes, Mr. Chairman, that's what this bill allows this government to do and this follows just two and one half short years after this government decied a resource giveaway in the Province of Manitoba because we were going to have, not outright ownership, Mr. Chairman, of four turbines on Limestone, but an undivided interest for 35 years for which the private sector would put up approximately \$1 billion. Up-front money. No tricks. No amendments to The Administration Act. No fuss, no muss, no bother, just a straight, outright, undivided interest for 35 years on four turbines and all of the advantages to the Province of Manitoba were there. They campaigned against that.

The Minister of Finance was one of the lead critics about the resource giveaway. Everyone can remember his bafflebag during the election campaign. We saw it in that little brochure called the "Socialist Bible." "NDP policies for the Province of Manitoba," where they weren't going to give away the resources of Manitoba and now we've got Bill 27 - Bill 27 to give away the assets of the Province of Manitoba to institutional investors that can buy this building, the Woodsworth Building, the Norquay Building, the Carman General Hospital, the Tabor Home in Morden, even the Provincial Courthouse could be sold under this scheme. These are the people that two and a half years ago told us

how bad and told the people of Manitoba how bad our arrangement with Alcan was. This is truly unbelievable.

You point out to me one area in the two brief years of incompetence that we've been exposed to by this government, show me one example of a greater flip flop in socialist principles than what we have seen today: The socialist that believes that government should own everything; the socialist that during the Schreyer years tried to buy all the farmland in the Province of Manitoba and have state farms. The Minister of Agriculture, in his first set of Estimates, indicated . . .

MR. CHAIRMAN: The time being 4:30, we are interrupting the proceedings of the Committee of the Whole for the Private Members' Hour.

Call in the Speaker, please.

IN SESSION

MR. SPEAKER: Order please. There is still a dress code in effect. The time being 4:30, Private Members' Hour.

The Honourable Government House Leader.

HON. A. ANSTETT: Mr. Speaker, when the Minister of Finance moved the motion for Committee of the Whole to consider Bill 27, there was an expectation that we might be able to complete that before 4:30. In view of the fact that we've been unable to do so, Sir, I would ask for leave for us to dispense with Private Members' Hour and continue in Committee of the Whole.

MR. SPEAKER: Does the Honourable Minister have leave? (Agreed).

The Honourable Minister of Municipal Affairs.

HON. A. ANSTETT: Mr. Speaker, I would move, seconded by the Minister of Finance, that Mr. Speaker do now leave the Chair and the House resolve itself into a Committee of the Whole to consider and report on Bill No. 27, An Act to amend The Financial Administration Act.

MOTION presented and carried and the House resolved itself into a Committee of the Whole to consider Bill No. 27 with the Honourable Member for Burrows in the Chair.

COMMITTEE OF THE WHOLE HOUSE

BILL 27 - THE FINANCIAL ADMINISTRATION ACT

MR. CHAIRMAN, C. Santos: The Member for Pembina.

MR. D. ORCHARD: Thank you, Mr. Chairman. As I was saying, this Financial Administration Act amendment is being urged by the government to be passed quickly. Why is it being asked to be passed quickly? For fear that the Federal Government might close the loophole that allows this tax scam to take place; so we're being asked this afternoon, and we concurred because we gave leave to go into Committee of the Whole.

Mr. Chairman, you're a professor. You've instructed classes and I believe it's even been classes in Political

Science, if I'm not mistaken. How would a learned professor of political philosophy use this as an example to demonstrate the heart and soul of socialist philosophy? I believe that even with the wisdom, skill and knowledge that you have, Mr. Chairman, and no doubt use that when lecturing students, could not justify this move by this socialist government as a demonstration of carrying through with socialist principles.

As I've said, socialists believe that the assets of the province should be owned by the people, not by some institutional investor, not through shareholdings of a few parallel dummy companies, owning and operating companies, and then selling preferred shares of ownership of the assets of the Province of Manitoba.

I'll throw out a very incredible scenario and I know members opposite will say, impossible, it won't happen, but it happened I believe in Cleveland in the United States. This bill's going to be rammed through. This preferred share offering through these dummy companies is going to be undertaken very, very shortly. Let's pick a figure and say that they intend to raise \$200 million through this preferred share offering in this operating company held by two dummy companies, held by the Minister of Finance. All during the first five years, nothing can happen. The only thing the Province of Manitoba has to do now is presumably pay rent on this Legislature, if this is one of the buildings that is sold, to the holding company that owns it and thence in dividends to the preferred shareholders; so when we sit here and debate bills, we're going to be paying rent on this building that we haven't paid before because we own it. The only thing we pay is maintenance costs. We're still going to have to pay those, but now we're going to be paying rent to sit in this building, to an institutional investor in Toronto, New York, who knows where.

Let's consider that at the end of five years, the possibility that the MLA for River East raised has occurred, because remember, we're rushing this through so that the government can offer this preferred share offering before the Federal Government closes the loophole. Let's assume that the loophole is closed and five years from now there is no tax advantage, but for the first five years, no one who's a preferred shareholder can get out of their deal. They can only exercise that at the end of five years, and at the end of five years they all exercise their option to recoup their cash of \$200 million. Let's say, as happened to the City of Cleveland, back in about 1979 or 1978, that the bond market said, no more money. In 1978 - that happened. The financial markets cut off Cleveland. They could not borrow any more money.

This Minister is under an obligation to return the money to those investors five years after issue. If, by that time, we have had five more socialists budgets at \$500-million-plus deficit, that we have five more years of socialist government that have borrowed billions to put into the aluminum smelter for Alcoa's benefit, that are put into Limestone for the benefit of Northern States Power and WAPA; not for the benefit of Manitobans. But Manitobans have borrowed the money and the financial market says to the Minister of Finance that when those shares are up in five years, and the institutional investor wants his money back because the tax loophole is changed, this Minister must come

up with the money. If the money market has said no more money to the Province of Manitoba, he's going to go out and strip the farms from the farmers whom he has been so kind to lend this money to. He's going to strip the homes from Manitobans because that's the only way he gets his money back and failing that, Mr. Chairman, then the institutional investor owns this building outright if it was put up and sold to the dummy company.

My honourable friend, the Minister of Finance says, what a fool, and he is indeed the financial fool in Manitoba. He indeed is. He surpasses the title of financial ignoramus conferred on one other socialist Finance Minister and that circumstance . . .

MR. CHAIRMAN: Can we debate issues instead of people?

MR. D. ORCHARD: Yes, sir, we certainly will. Mr. Chairman, I would hope that when we debate the issue, you would remind the Minister of Finance to not use the kind of words he used from his seat when I was debating. I apologize to you, sir, for reacting to the Minister of Finance from his seat, bringing personalities into this debate.

That circumstance could exist. It happened to Cleveland. This government has already had their credit rating dropped modestly, but nevertheless a warning from the financial institutions to get your financial house in order. We are talking about a government that is going to have committed, no matter what the next government is, incredible borrowing sums. When we replace this government two years from now, we're going to have to assume the construction path that they're going to take on in Limestone because we know they're going to start it up for political purposes and build it, three years in advance of when it's needed; we know that and we're going to have to continue to borrow the money that's necessary to do it.

If the financial community says, in looking at the Northern States Power deal, that that \$1.7 billion profit over 12 years doesn't even pay the interest on the portion of the dam that's dedicated to supply that power, they're going to say the deal is bad; make the deal better or you don't get any money. Then, what do we do? Because we'll be government at the end of that five years; we'll be the ones that have to go out and try to solve this \$200 million tax scam borrowing, that the Minister of Finance is giving us now.

We're the ones that are going to have to deal with how to get the money which is loaned for the same five-year term to the farmers at a low interest rate, to the home-owners at a low interest rate, to the small businessman at a low interest rate.

That hasn't been considered by this government because this government is thinking desperately only to the 31st of March, 1984 in the Finance Department. That's what he told us during his Estimates. This government is not thinking of anything but the next two years and how they can save their political hides and retain power. Not for the betterment of the people of Manitoba do they want to retain power, but simply to exercise political power for themselves, for their own personal benefits and nothing else. That leaves us, Mr. Chairman, with a very very tough position to deal with

some five years from now. This measure is required, not because it's so novel as the Minister of Finance is saying, not because it's so unique, not because it's even comparable to the preferred share offering of B.C. Rail. B.C. Rail's share offering was building a new railroad to deliver coal to the Port of Prince Rupert to sell to the Japanese; that was for rail development.

You see, what we're doing is we're not using the \$200 million to get a new asset because what we're doing is we're selling existing assets to a dummy holding company and there's no new creation of buildings or facilities under this. We are using existing facilities to finance this preferred share scam and it is necessitated because the government has run out of financial options.

It has got a deficit that is out of control for a province of one million people. To run \$500 million deficits consistently is out of control. Their refinancing requirements from the Schreyer years of borrowings, are there and must be met. When they commit us to these power deals and the Alcoa deal, those financial obligations must be met and they're going to require borrowing.

The Minister has brought this scam in to put his finger in the financial dike and stop the hemorrhage and that is all. That is all, Mr. Chairman.

MR. CHAIRMAN: Page 1 - the Member for Roblin-Russell.

MR. W. MCKENZIE: Mr. Chairman, I have a few questions I'd like to ask the Honourable Minister of Finance, especially during the fact that we've had a leadership review of the Liberal Party in our country and a new Prime Minister will be soon taking the office and I suspect that we'll be having a federal election in the few months ahead.

I wonder if the Minister advise if he or any of the members of the government have had any ongoing discussions with the Government of Canada regarding this proposed bill that is before us at this time; and if in fact the Minister can and if he has met, and I suspect he has, if he can give us some indication of who the Ministers were that he contacted regarding this proposed legislation.

I think it would also be helpful in the committee, Mr. Chairman, if the Minister regarding this new type of financial finagling that's going on, if he could give us some evidence of letters of correspondence, or memos, or anything that's been shared between his office and the Federal Government so we can assure the people of this province that the deal is firm, that there's an understanding between this government and the Federal Government, that both levels of government know where they're going and we're not going to leave the taxpayers of this province hanging out on a clothesline wondering what actually took place since this bill has been laid on our desk, Bill No. 27.

I think because of the fact that these many things are likely to take place and in fact they're not likely, these events, the leadership of the Liberal Party has already taken place in our country so there is a new Prime Minister in our country and we certainly will face a federal election within a very short time. You and I know, Mr. Chairman, and the people know that when

new governments take office, wide-ranging policy changes are forthcoming from these new governments.

So I wonder, can the Minister give the committee or the people of this province, some assurances that he has in fact met with the Government of Canada. He could give us some indication of what those discussions included and if in fact this type of legislation that is before us was agreed to by the Government of Canada and especially the Department of Finance. Is he prepared to share some of his correspondence or memos with the feds regarding the bill that's on our desks today?

MR. CHAIRMAN: The Honourable Minister.

HON. V. SCHROEDER: Mr. Chairman, I do believe the member misunderstands what's occurring here. This is a piece of provincial legislation, not federal. It doesn't mean that we don't talk with the Federal Government and there have been discussions at the official level with respect to a variety of taxation items and the ability of Crown corporations to do certain types of financing.

But the notion the member has is that this procedure is some kind of a raid by the Province of Manitoba on the coffers of Ottawa and I have been explaining to the members that that in fact is not the case because there is a certain amount of money out there that is looking for this kind of investment, in insurance companies, trust companies, and so on, these people are looking for these kinds of investments. They only have a certain amount of money available here in Canada, as the Member for Turtle Mountain pointed out previously. The Government of Canada itself, takes up a large percentage of the capital that's available in Canada.

Of the other portion, the question is, who's going to get it? Is it going to be a Crown-owned corporation indirectly controlled by the Crown through a Crown corporation which can then funnel the funds on to individual Canadians for their benefit and for the benefit of taxpayers to save tax revenue? Or does it go to build monuments in the City of Toronto for Conrad Black?

When the Member for Lakeside calls that we are somehow like Conrad Black, in fact it is the precise reverse. The question is, is Conrad Black going to get the money to build those monuments and other signs of enterprises, or do we use that money to do some of the other interesting things that those people do? Or, do we get that cheaper money into the hands of small business people who can't get this kind of financing directly? If you are not in accordance with all of the rules and regulations set out here, the Member for Assiniboia knows, you can't get this kind of money for the little guy, but the big guy gets that kind of money and yet the little guy has to compete against the big guy.

But we're providing a conduit so that we can provide that money to the little guy and we see nothing wrong with that. We think that there is absolutely nothing wrong with it. The rules have been set up in such a way that the big guys benefit. We are trying to ensure that the little guy is put on an equal footing with the big guy in terms of cost of money in some small way. We won't be able to do everything for everybody, but in some

small way we will be able to have a little more equality between the big guy and the little guy. So we think that we have to when we see this kind of an opportunity, seize it for the benefit of Manitobans, for the benefit of our farming community, for the benefit of our business community, for the benefit of our home-owners and for us not to do it, for us not to do this, knowing that we have this kind of an opportunity would be, I think, a dereliction of our duty to the people of Manitoba.

I sincerely believe, notwithstanding the fact that members opposite are voting against this at this time, that if they were on this side of the House and they had this opportunity they would do the same thing; and if they would not, then they would have to explain why it is that it is okay for Conrad Black to get cheap money, but it's not okay for the merchant on Main Street in Steinbach to get this money; it's not okay for the merchant on Main Street in Minnedosa to get this money; or in Morden; but somehow it's okay for Conrad Black to get it.

We disagree with that. We think that, if we have these kinds of arrangements, that they should be good enough for everybody and as long as we obey the tax rules - and there are a number of people here who know a little bit about taxation rules. You know that as long as you are within those rules, you're entitled to the protection of those rules. We are within those rules; we do not apologize for that. We believe that as long as these rules allow for Conrad Black to do this kind of thing, then certainly we believe that Joe Smith and Mary Smith, the merchants and farmers and home-owners in Manitoba, should also be entitled to the same benefits. If the benefits are changed for the Smiths in Manitoba, then they should be changed for the Blacks in Ontario.

MR. CHAIRMAN: The Member for Arthur.

MR. J. DOWNEY: Thank you, Mr. Chairman. I was wondering why the Minister didn't answer the question that was posed by the Member for Roblin-Russell. He'd asked the question as to what negotiations or documentations had taken place, discussions between the Federal and Provincial Governments. I didn't hear any response on that specific question. Has the Minister not had discussions as to how we fit with the Federal Government in this particular issue? We know the kind of situation he got into on the payroll tax or the implementation and the back and forth kind of difficulties that were created.

Mr. Chairman, you know there have been some points raised here that I think are fairly important and I guess the bottom line is the desperate situation that this government is in as far as the needs of the province are concerned in financing. Last year with an 18 percent increase in the costs of operating the province incurred by an NDP Government, lack of their ability to manage the affairs is probably the biggest thing behind what he's doing, is to again look for another source of funds to operate the government with.

My major concern, Mr. Chairman, and that is the complication of the whole system. You know it really is a smoke screen and mirrors — (Interjection) — Why, the Member for Ste. Rose says, "too deep for me." Yeah, I'll agree, it can get extremely complicated. I don't

suppose the Minister of Government Services could stand up and go through it and explain it line, chapter and verse. Mr. Chairman, I admit I don't fully understand why it has to be so complicated. Why do we have to go through the kind of frontal system that has to be put in place to use it? I think it's unfortunate that our system in this country and the province has got to be so complicated the average person has a difficult time in really understanding it, unless, Mr. Chairman, there is another reason for it, and that's the concern that we have is the other reasons for it. Why so complicated and why use the frontal system?

The case has been made that probably we will be selling shares in a hydro dam to Alcoa or to some of the other companies that want to buy. You know it's the selling off of the resources of the Province of Manitoba. Again, the NDP Government is going to sell the assets through a preferred stock system. That's really what it's all about. If that's not the case, then why doesn't the Minister say so? So it's accommodating them.

Mr. Chairman, we have been strong advocates of lower interest rates for small business and for farmers, and why can it not be done in a more direct way? You know, during the Agricultural Estimates, the Minister of Agriculture took it as notice that it was a good idea that probably some of this cheap money that the Minister was going to get off shore should be sent straight through to the credit corporation and given to farmers at lower interest rates. Why hasn't that taken place in a more simplistic way? I ask the Minister directly, he makes reference to the fact there will be lower interest rates for farmers, business people, and other uses.

What would he tell us today in asking for passage of this bill, what does he estimate today the interest rate to be for a five-year period on money that he's going to get through this mechanism? Is he talking 5 percent money? Is he talking 10 percent money? Is he talking 12 percent money? What kind of cost are we talking? What kind of interest rate are we talking? Is he going to now say that there will be money available to the Manitoba Agricultural Credit Corporation at 4 percent, 6 percent because there's a tax write-off? There have been strong advocates, Mr. Chairman, of an agro-bond system, where a system was developed where a person could invest in an agro-bond, not have a taxation charge on the interest that he or she received from that, and it would put money into the farm system and, in fact, benefit the investor. What is the effective interest rate or estimated effect of interest rate that he's talking about for the farm community under his proposed system?

HON. V. SCHROEDER: For the cost, as I understand it right now, and again I guess when you look back you can talk about being in favour of low interest, but at the same time you were lending out money at 17 percent to farmers and we brought those rates down. — (Interjection) — I'm putting it into historical context. They're now at about 14 percent on five years and we believe that we could get this money at somewhere, after all the costs are taken into account, in the range of 10.5 percent.

Now while I'm up, the member also asked why I didn't answer the question of the Member for Roblin-Russell.

I did answer it; I said that there were discussions with officials.

MR. J. DOWNEY: Well, two parts, Mr. Chairman. What did the Federal Government say in his discussions with them? Secondly, what kinds of numbers will be able to be accommodated, as far as the amounts of money that will be made available through this system? You know that's an impressive number, 10 percent, 10.5 percent I think is certainly going to sound good to the farm community. Is everyone going to have that kind of funds made available to them or what are the limitations?

Thirdly, Mr. Chairman, when is it going to be available? Is thing going to happen immediately? Is this something that we're going to see happen overnight? But I ask a question, what was the outcome of the discussions with the Federal Government? How many people will be able to be accommodated with the 10 percent or 10.5 percent money that he's talking about?

HON. V. SCHROEDER: Mr. Chairman, I don't have the figures right at my fingertips, but I believe that in the calendar year 1983, there was approximately \$1 billion exchanged on the basis of these kinds of fundings in Canada overall, and there's a whole host of people that are looking for it. Right now it appears that the market has increased, it's close to double where it was last year, but I can't say when because I don't know how quickly we can get into the market or if somebody else, just for example, the Province of Quebec or the Province of Saskatchewan might be in the market before us. We'd, quite frankly, like to get this moving quickly because of that.

Now in terms of who qualifies, that's an entirely different question. We are looking at providing some of this funding to the Manitoba Agricultural Credit Corporation to pass along to farmers. We are looking at doing the same with other sectors, but we don't know how much. This is our first attempt at it, we think we'd be foolish not to do it.

The federal officials have expressed concern to the provinces about this method of financing with respect to British Columbia and some of the provinces have indicated that they feel that certainly in the same kind of position, in terms of obtaining funding in the market, or should be at least in the same position as a private corporation, and in fact should be preferred a bit, rather than being just on a par, which is all this does for us. It just puts us on a par with the Conrad Blacks. There are some provinces, especially Manitoba, that think that we should be in a preference to them so that we could pass on more reasonable funding to our citizens.

MR. J. DOWNEY: Mr. Chairman, a final question. Who will be doing the marketing for the government in this particular program? Who will be the brokerage firm that will be handling this?

HON. V. SCHROEDER: It's the firm that has been working with the province for many years, Wood Gundy.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNES: Mr. Chairman, I would like to ask some specific questions of the Minister and, first of

all, I repeat, I don't argue the legal legitimacy of the instrument the government lays before us and I suppose I don't argue that the government shouldn't exercise the same tax opportunities that are available to any private corporations in the land. I'm more concerned about the moral legitimacy and I'm trying to make this the most simplistic that I can within my own mind so to understand it better. I'm wondering if I would be correct, and if the Minister could listen to the analogy I'm going to use, maybe he could tell me whether I'm correct or not, and why that leads then to my concern regarding the moral legitimacy.

I see what the government is attempting to do is something that I, as an individual who may own all my farm land, clear title, and who may wish then to go to a bank, remortgage that and take the proceeds of that remortgaging and direct it to anything I want, whether it's to build a house, a swimming pool or to fly around the world a couple of times. It seems to me that specifically what is being done, in effect, or attempting to be done by this particular act before us. I suppose I wouldn't even argue with that, that's legitimate, too, except in many cases we don't know, at least I don't know, that the security that's being put up by the government still doesn't have a massive amount of debt against it.

We don't know what the status is of that particular asset, so I ask the Minister these questions. First of all, who will manage the new corporation? Has it been given a name? Will it be called something like the Manitoba Government Property Corporation, whatever it's called, who will manage the activities so as to decide what resources or what assets of the province will be sold to outside investors?

HON. V. SCHROEDER: There won't be any assets sold to anyone, as I indicated, and there was some misunderstanding by some of the other members, that they seemed of the view that this was similar to Alcan. It simply isn't correct, because with Alcan, for instance, paying the government \$500 million for a portion of a hydro-electric dam, if they sell it later on they sell it later on at fair market value, not at the \$500 million. So that's quite a distinction. With the preferred shares the province has the right to buy back at the identical price that they were purchased for, No. 1. No. 2, there is no right to vote with these shares. So all those things are, I think, very important to distinguish between these two forms. One is really another form of borrowing and the other is ownership. I don't think it's fair to talk in terms of that kind of . . . and I know that the member has it.

We probably will be calling the corporation, it is something like the Manitoba Property Management Corporation. I haven't discussed who would be the officers, but I would presume that it would probably be the Deputy Minister of Finance and maybe one or two other members in the government.

MR. C. MANNES: Mr. Chairman, specific to 19.1(2) on Page 1, it indicates that "the Minister may invest in the common shares of a corporation." I'm more concerned as to the management of the particular new corporation and how they'll decide which government assets will have to be listed. Now the Minister indicates

that, right, there won't be government assets put up and I can understand, by what he says, that after five years they'll have the right to put it up. But, like the argument used by the Member for Pembina, if for whatever reason, unforeseen, that the government cannot honour its guarantee, that share certificate has to cover something, it has to cover some tangible asset. So there has to be some indication of what corporations or what assets of the government are going to be put up because, as investor, I have to know.

Now, I don't want to argue that specifically with the Minister. But, under 19.1(2) could this new corporation, could it buy an outside corporation such as Greater Winnipeg Gas?

HON. V. SCHROEDER: Just on that last question, I would have to take as notice. But the other portion . . .

HON. R. PENNER: Whatever is available for money. With this money you can buy whatever is available on the market.

HON. V. SCHROEDER: Well, let's say we could. I don't know of anything stopping us from buying Greater Winnipeg Gas with or without this bill.

Now, the member gets into the airy-fairy field of the Member for Pembina, and that is a field that you could get into in exactly, precisely, the same manner if you started asking about what happens if we don't have the money to pay our bond holders - exactly the same, there is no difference. We have a guarantee of the Province of Manitoba, the same guarantee that we have with other Canadian issues, Wood Gundy, or Salomon Brothers in New York, or the people in Switzerland, or in Tokyo, the exact same guarantee, there is no difference. There is no hold by any creditor on any piece of Manitoba property that they would claim on.

MR. CHAIRMAN: Order please.

HON. V. SCHROEDER: The same provisions apply, the guarantee that, if the corporation should fail to make payment, that the indebtedness of the corporation would be paid by the province. It is transferred to the province and it is exactly the same as a bond. So this whole straw man about some difference between this and the other form of financing when it comes to someone coming along and taking something is nonsense.

First of all, it will never happen. It is a totally hypothetical question, it will never happen. Secondly, Mr. Chairman, you talk about Cleveland, there are about 1,000 differences with respect to the financial abilities of the two entities that the Member for Morris should look up before he brings up such nonsensical examples.

You ask questions and you don't want answers. You try to make the public of Manitoba think that somehow we are alienating ownership from the public in our assets. When I explain to you what's happening, you scream and moan and shout. Mr. Chairman, these are not shares that don't have an end to them; that is, by the end of five or 10 years, whatever is put into the agreement, we have the right to repurchase them at the original price. That is not the kind of share you

people were talking about with Alcan. You were giving away the right to the ownership of a portion of a dam, for payment, but if you wanted to repurchase you couldn't come along and repurchase five years later at the identical price that you sold it for, or 10 years later, or 35 years later. Indeed 35 years later, you would have to pay market value and that is a real difference between that arrangement and this.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNES: Mr. Chairman, two short questions and I don't think this is the proper time, probably, to argue the share versus bond argument.

Under varying assumptions of net income for a private investor, a private individual within the province, can the Minister tell us what the net benefit is to an investor to invest in this type of instrument rather than a Canada Savings Bond, because that's obviously what the bottom line is? The attempt here by the government is trying to divert funds away - my funds or a private individual's funds - away from Canada Savings Bonds into this area. Is there a net benefit to the investor under varying degrees of assumptions of net income?

HON. V. SCHROEDER: Mr. Chairman, for those people who now have a taxable benefit going for the Canada Savings Bond, they would continue with that. People with larger incomes who get the big benefit of the tax breaks within the preferred shares are the ones who would get this, but let's keep in mind again what I pointed out before. There is only a market that is of a particular size. That is, whenever the people like Wood Gundy feel that there may be \$50 million available throughout the country or \$100 million available for the purchase of preferred shares, they will find someone who will pick them up, so it's a question of whom are we replacing and that is true. We're certainly not replacing the farmer or the home-owner or the businessman in the Province of Manitoba. We are in competition clearly with at least one other province. Maybe more. We are in competition with Conrad Black and those people whom you have referred to.

MR. C. MANNES: Mr. Chairman, regarding the guaranteed debt. I understand by some material, that the government is going to try and float this issue to a total of \$150 million. That represents in itself, a total addition of an equivalent amount to the total guaranteed debt of the province. If that's the case, what then would be our new total of debt guaranteed by the Province of Manitoba?

HON. V. SCHROEDER: Mr. Chairman, overall, our totals won't differ from what we have approved in the House or are in the process of approving. We've got, as I indicated, Bill 3 with about \$240 million in capital still to approve and what has been shown so far, but it's not intended that there be any new cap on the total amount that we can borrow.

MR. C. MANNES: Just one question for clarification. I'm asking the Minister, Mr. Chairman, that for every dollar invested by individuals and guaranteed the payment of which will be guaranteed back by the

government, is it on a dollar-for-dollar basis? In other words, if this total issue raises \$150 million of capital, is that the total amount by which the guaranteed debt of the province increases?

HON. V. SCHROEDER: Yes, Mr. Chairman, the guarantee we have is to pay the amount that is owing by the corporation, which is the basis on which the money is borrowed. Just as when we do bonds, it is on the basis of the guarantee of the province to repay the full amount.

MR. CHAIRMAN: The Member for Sturgeon Creek.

MR. F. JOHNSTON: Mr. Chairman, I just have one question about this amazing change in the NDP Government.

The member speaks of a corporation that has yet to be named or he mentioned a name that may be the name of the corporation. Will there be a report to the Legislature of the activities of this corporation as to all of the transactions that they put forward? If this is to be the most important bill of this Legislature, according to the Member for River East, will there be a report to the Legislature regarding the transactions of this corporation and will it come before a committee of the Legislature to be questioned? I don't see that specifically in this bill.

HON. V. SCHROEDER: Mr. Chairman, I heard another question, will there be a prospectus. There will be a preliminary offering. There are some discussions going on with Securities Commissions.

With respect to the name of it, I indicated previously that I wasn't sure. I believe it is going to be Manitoba Properties Incorporated; and with respect to whether it would report to the Legislature, I certainly would expect that it would report to the Legislature. It would indicate the activities that's involved.

MR. F. JOHNSTON: Mr. Chairman, I don't know whether the Minister just speaks low when he doesn't want somebody to hear something. I asked specifically, would it be reporting to the Legislature and he said, he expects it would and I didn't catch the last of his answer. Will it or will it not be giving a report to the Legislature and will they come before a Legislative Committee for questioning of that report?

A MEMBER: He doesn't know, eh?

HON. V. SCHROEDER: Mr. Chairman, I'm not aware of any requirement but I would make a commitment that we would indeed bring — (Interjection) — Pardon me? I have no problems with that. There may be some Crown corporations that we don't report to the Legislature, and if there are — (Interjection) — I have no problem with that. But anyway, for now, I would make a commitment that it would report to a Legislative Committee next year.

MR. CHAIRMAN: The Member for Pembina.

MR. D. ORCHARD: Mr. Chairman, the Minister earlier, when I posed a question, indicated that the share size

would be \$25 units and left me the impression that, as an individual, I could buy one share; but on Page 3, "Summary of the Proposal," it says, "The province would indirectly acquire all common shares of a corporation with a five-year earning record and this would be called the corporation," and here's the line I want him to clarify for me. "This record would qualify securities of the corporation as eligible investments for regulated financial institutions." Does this mean, in the Summary of Proposal, that I could not buy a \$25 share, that only regulated financial institutions are going to have the opportunity to purchase these new preferred share instruments?

HON. V. SCHROEDER: No, Mr. Chairman, in the preliminary documents that I now have, it indicates that the opinion of the law firm doing the legal work on it, people such as insurance companies registered under The Canadian-British Insurance Companies Act, loan companies, commercial investment division under The Alberta Heritage Savings Trust Fund Act, people like that, are eligible under their legislation to purchase these securities because they conform to The Trust Act here in the Province of Manitoba and the various acts that regulate insurance companies investments and don't allow them to invest in penny stocks and those sorts of things. It has to be - I guess the phrase is - I would like to think, orange chip.

Individuals can purchase in the way that shares are purchased in the ordinary way but I say again, they are sold in lots.

MR. CHAIRMAN: Pages 1 to 5 were each read and passed. Preamble—pass; Title—pass; Bill be reported—pass.

Committee rise. Call in the Speaker.

Committee has considered a particular bill and directs me to report that the bill will be passed without any amendments.

IN SESSION

MR. SPEAKER: The Honourable Member for Burrows.

MR. C. SANTOS: Mr. Speaker, I move, seconded by the Honourable Member for St. Johns, that the report of the committee be received.

MOTION presented and carried.

THIRD READING

BILL 27 - THE FINANCIAL ADMINISTRATION ACT

HON. A. ANSTETT presented by leave, Bill No. 27, An Act to Amend The Financial Administration Act, for third reading.

MOTION presented.

MR. SPEAKER: The Honourable Member for Turtle Mountain.

MR. B. RANSOM: Mr. Speaker, there was one item that wasn't dealt with before and perhaps the Minister has a minute or two here that he can clear it up. I believe he said that there would not be any assets sold but according to the briefing information that's provided, it speaks about the purchase of buildings by this corporation.

Now, I'm interested in knowing whether or not there will be a legitimate purchase take place, because it is my understanding this has to be a legitimate corporation which the government buys; it has to be a taxable corporation even though the government is going to manage it. They say the corporation would be taxable, but it would be operated so as not to have a taxable income.

Well, in most of the things that this government operates, there wouldn't be a problem for having a taxable income as far as that goes. But this is evidently going to be purposefully managed that way so it won't have a taxable income. But if this thing is to be legitimate, surely there must have to be an actual transfer of title in order for this company to own assets.

Can the Minister indicate to us whether or not that will actually take place?

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: Yes, Mr. Speaker. What I said - maybe I misspoke myself - but what I meant to say was, that there would be Crown assets which could be now owned by another Crown corporation, or they could be owned by the government in its own right, or whatever; transferred to this particular corporation — (Interjection) — Yes, keeping in mind that all of the common shares in the corporation are the property of the Crown. There is indirect ownership completely, completely by the Crown, so that there is not one share, not one common share, not one voting share, not one share that can be in existence for more than 10 years, that stands outside of the ownership of the people of Manitoba.

MR. SPEAKER: Are you ready for the question?

The question before the House is the third reading of Bill No. 27.

QUESTION put, MOTION carried.

MR. SPEAKER: The Honourable Government House Leader.

HON. A. ANSTETT: Mr. Speaker, I believe there may be a disposition to call it 5:30. I believe Her Honour will be available for Royal Assent on Bill 27 at 8:00 p.m. and then it would be my proposal to call the further Adjourned Debates on Second Reading after which we would proceed into Estimates of Executive Council.

MR. SPEAKER: Is it the pleasure of the House to call it 5:30 p.m.? (Agreed)

The time therefore being 5:30, I'm leaving the Chair to return at 8:00 p.m. this evening