

LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, 21 March, 1985.

Time — 8:00 p.m.

MR. SPEAKER, Hon. J. Walding: The Honourable Minister of Finance.

HON. V. SCHROEDER: I move, Mr. Speaker, seconded by the Minister of Energy and Mines that this House approve in general the budgetary policies of the government.

MOTION presented.

BUDGET ADDRESS

MR. SPEAKER: The Honourable Minister of Finance.

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

I'm proud to present our New Democratic Party Government's fourth Budget to the people of Manitoba.

Over the past several months, I've had the opportunity to discuss Manitoba's economic and fiscal circumstances with hundreds of Manitobans across the province. We have shared our hopes and aspirations and our concerns with each other as we worked together to define a vision for Manitoba and chart a path to take us there. I hope that those ordinary Manitobans who gave so freely of their time and thoughts will recognize some of their own comments and suggestions in this Budget Address. They have played an important role in shaping our Budget policies and ensuring those policies have broad support.

While there are many different opinions on specific situations and solutions, I'm pleased to be able to inform you that Manitobans, on the whole, have confidence in their ability to build a strong and vibrant economy and are optimistic that by working together, we can continue to build upon the successes of the last few years.

Working people have been telling this government consistently since our election that saving and creating jobs must be our primary objective. They have told this government that they want to live and work with dignity and purpose. From the miner in Thompson to the farmer in Emerson, they share a common belief in their province and their own role in developing it. From the homemaker in Winnipeg to the conservation officer in Dauphin, they share desire to see an economic environment that will provide jobs for their children.

Our government cares and has responded to their suggestions and concerns. We have made saving and creating jobs our No. 1 commitment.

This Budget builds on that commitment because this NDP Government cares deeply for ordinary Manitobans.

That commitment goes beyond jobs alone. Manitobans want a safe working environment, an opportunity to meet the challenges of new technologies through training and education, an economy that brings out the best of Manitoba through private and public sector co-operation, a fair use of economic resources to ensure that our social services increase opportunities

for our disadvantaged, and provide support for those in need. They want a province in which we can respect and learn from each other. Those are the hopes that I have been talking with Manitobans about over the past number of months.

We've come through some troubled times. I am proud to have been part of the co-operative effort among all Manitobans that helped our province weather the worst recession in more than four decades remarkably well.

These have been difficult years throughout Canada. But Manitobans have reason to take pride in our comparative economic performance. Together we have built a strong foundation for our future and our people have been coming home.

Between 1969 and 1977, Manitoba's population increased by more than 6,000 persons annually, surpassing the one million mark in 1973. Under the Conservatives, our population declined from 1,027,400 to 1,026,200. Since 1981, population rebounded by more than 10,000 persons annually, now totalling over 1,060,000.

Ordinary Manitobans know that our economic policies, and our Manitoba Jobs Fund, have helped put thousands of Manitoba men and women back to work. And many sons and daughters are coming home again to work.

The know the NDP has always fought for important social programs - like Medicare. They know the NDP cares about young people and providing opportunities for their future.

They know we have maintained and enhanced our public services as part and parcel of responsible budgetary policy. In Manitoba, because we care about the interests of ordinary people, top quality health care and education have not fallen under the knife of blind ideological devotion to so-called "balanced" books.

In too many jurisdictions, we have seen that misguided philosophy in action, and its results - growing unemployment lines, more poverty, more welfare, reduced levels of health, education and social services - and, ironically, later on, larger Budget deficits.

In Manitoba we have put ordinary people first and the results are clear. More Manitobans are working. We consistently have the lowest or second lowest unemployment rate in Canada as compared to being third or fourth under the previous administration.

Our small businesses and entrepreneurial community are showing their faith in Manitoba. We have the best economic performance in Western Canada.

The business community across the country is looking to Manitoba. According to Statistics Canada, we have the best investment outlook in the country for the coming year.

Together we are setting the stage for a great future for Manitoba. We are harnessing our resources, our talents and our ingenuity to shape a future in which every Manitoban can play a vital role.

In this Budget we are honouring our commitments to the working people in Manitoba. Tonight we will be reinforcing and strengthening policies and directions established in our first three Budgets.

First, continuing the priority commitment to jobs and employment creation for Manitobans. We believe the tragedy of unemployment, both the economic and human costs, must be met head-on with forceful, rational and compassionate policies and programs.

Second, devoting additional resources to protect all Manitobans from any erosion in vital health, education and social services.

Third, reinforcing our Government's commitment, to improving our province's long-term economic potential.

The important measures we undertake tonight and in the weeks to come will not magically eradicate unemployment in our province. Each and every one of us knows that there are no easy solutions.

We are under no illusion that a provincial government can guarantee success solely through its own efforts. But we also know that we must all work together to do what we can. Manitobans know too well from firsthand experience the terrible legacy of a provincial government which turned its back on the economic and social problems facing our communities.

They know what happens when a government is always ready with an excuse for not acting or for undercutting important public services. They have seen what happens when government becomes so preoccupied with short-term fiscal balance that it ignores pressing human, social and economic needs.

They remember an administration which did nothing to protect ordinary Manitobans, farmers, working people, small business from devastating interest rates; which didn't act when plants closed; which didn't act on bankruptcies; and which didn't act on the population exodus.

Ordinary Manitobans want a government which puts people, their problems, their concerns and their aspirations first.

They want a government prepared to fight for and improve important social and economic programming. They want a government that cares about young people, a government that fights hard to create new jobs for men and women.

They want a government prepared to act decisively in times of difficulty, not a government which pleads inability to act when farmers, working people and small businesses are beset by crippling high interest rates.

They want a government that governs with compassion and common sense. On November 17, 1981, Manitobans elected such a government. This Budget will show, once again, that this government is prepared to listen and to lead.

We will maintain an active role in encouraging and coordinating the efforts needed to assure more jobs for more Manitobans, and to keep as many Manitobans as possible working. We intend to do it while preserving our important social services and maintaining a responsible financial position.

Last year, I reported in my Budget Address that Manitoba had weathered the recession relatively well. It had been one of the first provinces to regain pre-recession employment levels. I'm pleased to report that further progress has been achieved over the past year.

Manitoba's record of success in rebuilding basic industries and laying the foundation for a strengthened economy in the future is evident by the economic

expansion in virtually all major industrial sectors of our economy in 1984.

Manitoba's employment growth rate is more than triple the national in comparison with pre-recession employment levels. In contrast, under the previous administration, employment growth in Manitoba was less than 60 percent of the national rate. Some 12,000 more Manitobans are now working than in mid-1981. Our province, with just over 4 percent of Canada's population, has accounted for over 13 percent of the new jobs. In five provinces, there are fewer jobs than prior to the recession.

While housing markets remain depressed in other western provinces, residential construction in Manitoba continues to provide jobs and affordable homes at levels well above those of the early 1980s. In 1984, there were four times as many apartment units started in Manitoba as in Alberta, for example.

After a number of years when the investment climate was poor, and investment in Manitoba was well below the national standard, investors now share our confidence in the future of Manitoba.

Last year, the Investment Dealers' Association concluded, and I quote, "Investment prospects in the Province have never looked brighter."

Investment has been a key area of strength in our economy in the past two years, and the Statistics Canada outlook for 1985 indicates a third year of strong investment performance. In fact, they are indicating that we will have the best performance among all provinces.

With that increase projected for 1985, the annual increase in investment in Manitoba since 1982, is expected to average 11.5 percent, close to three times the investment growth achieved from 1978 to 1981.

Public sector investment - through the Manitoba Jobs Fund, housing, economic development, in social infrastructure, in jobs for our children's future - has helped improve the private sector investment climate in Manitoba. Private sector investment increased 9.8 percent in Manitoba last year, nearly three times the increase in Canada as a whole.

In the year ahead, the pace of economic expansion in the North American economy is generally expected to moderate.

The North American slowdown is expected to limit growth in markets for Manitoba's products. Overall, however, the provincial economy is expected to continue to expand and to generate further increases in employment, incomes and living standards.

The improved confidence Manitobans have in opportunities within the province is reflected in the continued strong expansion in investment intentions for 1985. This will raise the capacity of our economy to produce goods and services to improve our standard of living.

And, for the coming decade, Manitoba's prospects are even stronger.

Our government's determination to build a strong and equitable base for future growth includes, among other elements, the development of strategic projects on terms favourable to Manitobans.

We have concentrated on proposals which will support long-term employment opportunities both in

themselves, and through the incomes they generate, and their linkage with other sectors in our province.

We have taken time to consult with and ensure that Manitoban contractors and suppliers are in the best possible position to reap full benefit of such initiatives.

Nine months ago, our government announced the conclusion of a \$3.2 billion hydro export sales contract with Northern States Power Company of Minneapolis, Minnesota. As members know, the National Energy Board approved this important sale earlier this week.

The building of the Limestone Generating Station will commence this year. Limestone will be the largest single project in our province this decade. Its construction means jobs for thousands of Manitobans - 17,000 person-years of direct and indirect employment - along with significant opportunities for our business community.

Mr. Speaker, I am happy to report that new purchasing, employment and training policies are in place to ensure maximum participation in the benefits of the project for Manitoba men and women.

And, on top of these benefits, the NSP sale is expected to generate \$1.7 billion in profits to our province.

Mr. Speaker, negotiations of additional firm power sales are also under way. Conclusion of an additional large long-term sale could lead to further development of our Northern Hydro resources, and more jobs for Manitoba men and women, extending throughout the decade of the 1990s.

Mr. Speaker, our government will continue to stress co-operation and fairness in our dealings with the new Federal Government. We believe more can be achieved by co-operation than by confrontation. We also believe fair policies are the only sound foundation for sustained co-operation.

We have been encouraged by the new Federal Government's expressions of support for the Economic and Regional Development Agreements which have now been signed with all 10 provinces. Those agreements are designed to ensure greater flexibility and sensitivity to regional development concerns across a broad range of federal and provincial programs.

I'm also pleased to note we are close to concluding a new Canada-Manitoba Tourism Development Agreement. We have assurances as well that the Federal Government will be in a position to sign a new Industrial Development Agreement in the reasonably near future.

These new agreements will complement earlier agreed-to joint efforts of the federal and provincial governments in the areas of Mineral Development, Forest Renewal, Agriculture and Food Development, Transportation Development, Urban Bus, Industrial Development, Development of the Port of Churchill, Communications and Cultural Industries Development, and Economic Planning.

That was an opportune moment to members opposite who derided this government's initiative in approaching the Federal Government with a National Economic Recovery package, sometimes referred to as "the Wish List," which is now coming true, meaning a stronger Manitoba, a better future for our children, and jobs now.

In other areas, Manitobans have serious concerns. For example, some of the November 8th federal spending cut proposals simply do not make sense. In addition, Manitobans will suffer from the disproportionately large share of the proposed cuts to be made in our province. The Manufacturing Technology Institute, research cutbacks at Churchill and Gimli and the VIA Rail Maintenance Centre are prime examples.

Our analysis suggests that if the Federal Government proceeds with the cuts as initially announced, some 6,000 jobs in Manitoba and over \$400 million in investment could be lost.

Clearly, such cuts are not an appropriate direction for a Federal Government concerned about jobs and regional development.

My Cabinet colleagues and I have raised these concerns with Federal Ministers on several occasions. We have asked the Federal Government where they expect the replacement jobs to be created. Discussions are continuing and I'm hopeful that we will be hearing some positive news soon.

In the area of transfers, direct federal transfers are also important to Manitobans. For programs such as health and post-secondary education, for social assistance and other shared-cost programs, for joint economic initiatives, and for equalization, federal payments account for 36 percent of the province's revenue, which is a very substantial contribution. However, that share is down significantly from the 43 percent federal contribution of just six years ago.

Increasingly, as a result, it becomes more difficult for our province to sustain needed initiatives both to foster job creation and economic renewal in Manitoba and to maintain needed public services.

We look forward to productive discussions with the new Federal Government on these long-term concerns which affect jobs, programs, services and taxes for all Manitobans.

Our government is encouraged by the Federal Government's willingness to act on the immediate equalization problem - the spectre of major unwarranted cuts in 1985-86 to four of the six recipient provinces. We appreciate the fact that the Federal Government is seeking not to reduce its deficit by unfairly penalizing four of the six poorest provinces in the country, leaving the wealthiest provinces untouched, and we recognize that that is as a result of a formula brought into being unilaterally by the previous government back in 1982, and over the opposition of this government.

As members know, both the Manitoba Government and the official opposition agree that fair treatment means there should be an increase in federal equalization support in 1985-86 that is reflective of our province's increasing need.

At this stage, however, we feel it is more prudent to proceed on the basis of an assumed freeze than to predicate our budgetary planning on completely fair treatment - that is, an actual increase in equalization. In other words, it is assumed that the Federal Government will not proceed with a planned \$72 million cut in equalization support in Manitoba. But there is, as we are all aware, also an important longer-term equalization problem.

I am pleased to note, however, that the new Federal Government has agreed to a joint review of this concern

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beginning later this year. We will continue to fight for a fair deal for Manitoba.

Federal leadership is also urgently required to restore fairness to our national income tax system. It has been over 20 years since another Conservative Government, under the Right Honourable John George Diefenbaker, established the Royal Commission on Taxation chaired by Mr. Kenneth Carter.

The final report of that commission stated, and I quote:

"The first and most essential purpose of taxation is to share the burden of the state fairly among all individuals and families. Unless the allocation of the burden is generally accepted as fair, the social and political fabric of a country is weakened and can be destroyed."

Manitobans have told me that they believe that statement was, and still is, a correct assessment of both the purpose of taxation, and the serious consequences of unfair taxation.

In 1972, some of the recommendations of the Carter Commission were incorporated into the income tax system. However, since that time, many new loopholes, incentives and preferential provisions have been added. Numerous wealthy Canadians are able to avoid paying their fair share of income taxes. Some wealthy Canadians are able to avoid paying any taxes. It is no wonder that many Canadians believe the system to be unfair.

The Federal Auditor-General recently pegged the costs of the various preferential provisions to be as much as \$50 billion annually in federal revenue. That is about 50 cents in tax benefits for each dollar in direct federal spending. And, unlike direct spending programs, tax expenditures are rarely subjected to meaningful review and scrutiny.

In raising the tax reform issue at the Regina First Ministers' Conference on the Economy last month, Premier Pawley noted, and I quote: "While well-to-do Canadians and profitable corporations are avoiding taxes, leaving ordinary working women and men to pay the bills, the resulting deficits are being used as justification for attacks on public programs and services." That is what is happening.

In our view, meaningful tax reform leading to a simpler and fairer tax system is urgently required. Only in this way can we finance the shift of such taxes from property to a fairer basis of ability to pay.

Mr. Speaker, recent major downward revisions in federal estimates of personal income tax revenue have added to our concern. Since November, Ottawa has reduced its estimates of the yield of the personal income tax for 1984 by 5 percent across the country.

At the same time, we are told the country's economic performance improved from the November federal estimate of 4.2 percent to 4.7 percent, according to the latest information from Statistics Canada.

There's a considerable degree of uncertainty on the question of the responsiveness of income tax revenue to growth in personal incomes and profits. This uncertainty is reflected in the tendency of senior governments in Canada to rely on other sources of revenue.

There is a pressing need for a thorough review of the performance of the income tax system - both in

terms of its fairness among taxpayers and its relation to our economy's structure and growth.

A fair resolution of all these concerns, federal spending proposals, transfer payments for important public services, and tax reform would be a major plus for Manitobans and all Canadians for many years to come.

Mr. Speaker, our government was pleased to have the Opposition Conservatives, after some initial hesitation, recognize the importance of fair treatment for Manitoba on the equalization issue. I would like to take this opportunity to thank them publicly for that support.

During this Budget Debate I'll be most interested in hearing where they stand on other federal-provincial issues - important issues - including federal transfers, the unfair share of the November 8th federal cuts on Manitoba, and tax reform.

Mr. Speaker, the Expenditure Estimates I am tabling tonight provide resources of \$3.6 billion to sustain economic development and job creation initiatives while protecting important health, education and social services for Manitobans.

The Estimates include measures to consolidate economic progress and to ensure that Manitobans are equipped to take maximum advantage of existing and emerging economic opportunities.

Those opportunities are the first payoffs from the joint efforts and initiatives which Manitobans have taken over the past three years.

We now have the opportunity to build upon a strengthened economic foundation which has been restored after the recession. We now have the opportunity to build with the Federal Government through the ERDA programs in critical sectors of our economy.

We now have the opportunity to secure maximum advantage for Manitobans from Limestone construction - made possible in large part by the Minister of Energy and Mines' successful negotiations with Northern States Power.

Manitobans are pleased with the National Energy Board decision granting an export permit and with the supportive statements of federal Ministers.

We urge Manitobans to take the time to read this important decision of the National Energy Board, I'm going to quote a few sections of it. One quote, it stated that, "The board," - and of course the board did its own analysis of the numbers - "The board is satisfied that in the circumstances of this case the export price is the best price that could be negotiated by the applicant in its particular United States market." The best price that could possibly have been negotiated was negotiated by our Minister and I'm proud of it.

Manitobans have frequently been told that we're going to be selling this hydro-electric power at cut rates. The board confided that the price charged would be greater than for domestic use of similar amounts, and I quote again, ". . . the board is aware that the export price would be substantially greater than the rates paid by the applicant's large industrial customers." Substantially greater - none of this cut rate. This is a good deal for Manitoba.

The Federal National Energy Board, of course, does not have jurisdiction to determine the timing of construction of our dams. I want to repeat that because there were some interruptions. The board, the federal board, the National Energy Board, does not have jurisdiction to determine the timing of construction of our dams. It can, however, comment on the proposal and it did so and again it made the assessments and it said as follows: "The board's assessment of the export proposal has not, however, turned up anything to suggest that the utility's generation expansion decisions are wrong." They found nothing improper about the numbers of the Manitoba Hydro people, nothing.

The board - this is a federal board, not a provincial board - it's a board set out to determine that this particular sale will be in the interests of Canadians and Manitobans, it's a federal board - went on to agree with Hydro's contention that a two-year advancement of Limestone would be more profitable for it than a one-year advancement. That was an issue that was raised occasionally in the last little while in Manitoba by some people. What did the board say about that? Well, I'll quote from them.

"... the board has carefully examined the cases representing both the Sale Sequence," which is the two-years "and the 500 megawatts Only Sequence Cases," 500 megawatts one year, and they say as follows: "... for the Sale Sequence, from Manitoba Hydro's perspective the excess of revenues over costs for the two-year advancement would be about \$20 million more than for the one-year advancement." Very good, very good.

And they go on and they say, "... the estimated revenues will substantially," not may substantially, but will substantially "exceed the estimated costs over the period of the export." They will substantially exceed costs. That is a good agreement.

The board also agreed with Manitoba Hydro figures which prove Manitoba Hydro will receive a large net benefit. They say as follows, "The results of the board's analysis for the Sale Sequence," that's the two years, "showed that Manitoba Hydro could be expected to derive net revenues of about \$385 million from the two-year advancement case." That's in 1984 dollars as received, it's between \$1.6 billion and \$1.7 billion, which is exactly what we've been telling the people of Manitoba ever since that contract was signed.

Other experts have told us it's a good deal and all Manitobans know that we must proceed with Limestone in two years without the NSP sale and that's the other option. That's the other option, without the sale. And every Manitoban knows, excepting for that small bunch in the opposition, that the sale means much lower costs for power rates in the future than would be the case without the sale because then ... without the sale the taxpayers of Manitoba, the ratepayers, would be paying the full bore of the amount that the people at NSP will be paying instead and let there be no doubt about that.

I say again that is why we on this side are proud of the work that our Minister of Energy and Mines has done on behalf of the people of Manitoba.

We must continue to work together to build on our human resources and energies to achieve the full potential of our great province.

Investment will help provide a sound foundation for sustained economic development. Development programs will support our entrepreneurs and business owners. The Manitoba Jobs Fund will continue to support the creation of jobs primarily in the private sector.

Our government is pleased, with careful management and prioritization of resources this year, we are again able to dedicate \$210 million to spearhead our efforts at job creation and preservation.

In its first two years, Jobs Fund projects have provided some 436,000 workweeks for 35,000 Manitoba men and women - that is 8,400 person-years of employment, Mr. Speaker.

The Jobs Fund has made a difference. In 1985-86, the Jobs Fund will continue to evolve. The Manitoba Jobs Fund will continue its important contribution to Manitoba's housing and youth employment programs.

The Manitoba Jobs Fund, along with departmental allocations and the provisions of the Canada-Manitoba Enabling Vote, will provide for Manitoba's contribution to the second year of economic development initiatives under the Economic and Regional Development Agreements.

And, a major new challenge for the Jobs Fund in 1985-86 will be to assist Manitoba men and women to participate fully in the economic and employment opportunities available from the construction of the Limestone Generating Station.

Mr. Speaker, in 1985-86, our government will allocate some \$4.4 million through the Jobs Fund for employment and training programs to assist Manitobans, especially Northerners, and more especially Northern Native Manitobans, to prepare for the jobs which hydro development will create in our province.

The Manitoba Jobs Fund also will help retain jobs and benefits, associated with the construction, in Manitoba, by assisting local businesses to participate in bidding on supply contracts.

Moving over to Agriculture: The farming community is a major cornerstone of the provincial economy. It is the economic base for most rural communities in Manitoba, for supply and service industries in our towns and cities, and for thousands of jobs including those in transportation services, food processing and farm implement manufacturing.

Despite the hard work by Manitoba farmers, and the improvement in production in 1984, we are facing serious difficulties in agriculture. Continued weakness in international prices for farm products, and the impact of a number of years of high interest rates, and increased production costs threaten the livelihood of a substantial number of our farm families.

Our government fully recognizes and supports the importance of a stable and strong farm sector. We also recognize that international and national policies have much to do with the current financial crisis in agriculture, but we are determined to work with our agricultural community to meet these challenges.

We have initiated or strengthened programs to preserve family farms, to stabilize and enhance production and to alleviate the worst effects of the financial crisis. I'd like to list some of those things:

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The emergency Interest Rate Relief Program has provided over \$11 million to 1,250 Manitoba farmers facing difficulty due to record high interest rates.

The Manitoba Beef and Hog Stabilization Programs have provided approximately \$44 million of assistance to over 6,000 producers in order to protect against wide fluctuation in prices.

The Manitoba Agricultural Credit Corporation has made 1,300 loans to farmers totalling \$77 million for the acquisition of livestock, machinery and land for the debt consolidation.

As well, the Guaranteed Operating Loan Program has assisted over 700 farmers with loans totalling \$65 million; the Interest Rate Reduction Program has passed on the benefits of lower nominal interest rates by reducing loan payments for 640 farmers by over \$18 million. These initiatives have helped.

Last week, the Minister of Agriculture announced a reduction in the interest rate on all outstanding loans from the Manitoba Agricultural Credit Corporation in the current fiscal year. This measure will provide \$6 million in benefits in addition to the Young Farmer Rebate Program. Farmers will receive cash rebates or reductions in debt obligations in time to assist in meeting spring production costs.

Our government recognizes that more is required. Accordingly, I am pleased to announce tonight that in the 1985-86 fiscal year, the Manitoba Agricultural Credit Corporation will provide an additional \$20 million in loans at 9.75 percent interest, that is, at a rate below current market rates. These loans will be part of a comprehensive refinancing program for farmers including younger producers and those in financial distress.

The Estimates for the Department of Agriculture provide a 12 percent increase to \$1.5 million for programs to enhance efficiency and for soil conservation and water management, under agreements with the Federal Government.

Earlier, I mentioned the Manitoba Beef and Hog Stabilization Programs. The success of these programs is reflected in the stabilization in beef cattle numbers, increases in hog production, and in benefits to the communities that rely on a stable agricultural sector. Those, of course, are not only the small towns, they're the cities; places like Brandon, Portage la Prairie with food processing; Winnipeg with the packing houses, and so on. We all benefit when we can keep that farm community stable.

In 1985-86, our government will provide a further \$7.25 million of operating funds as our contribution to the Beef and Hog Stabilization Programs.

This Budget provides \$58.1 million in support of the farm community through the budgetary programs of the Department of Agriculture. In addition, \$25 million is provided in non-budgetary capital authority for the Manitoba Beef Stabilization Fund and the Manitoba Agricultural Credit Corporation.

These actions speak far louder than words. They show that the NDP care about our family farms and that we are prepared to help.

In the area of Housing: The success of our housing initiatives is clearly evident in the resurgence of housing starts in the past two years. That success has meant

jobs and investment in our construction industry, increased business for our retail and wholesale trade sectors. I was told today that retail trade in Manitoba has increased by over 16 percent January to January. It has meant increased business for our retail and wholesale trade sectors, and most important, it has meant more housing affordable to more Manitobans. We believe it is important that good quality housing be brought within the reach of ordinary Manitobans.

This Budget provides \$44 million through the Department of Housing for the continuation of our housing programs.

In addition, \$111.6 million in non-budgetary capital authority will be provided for the programs of the Manitoba Housing and Renewal Corporation in 1985-86.

The housing component in the Manitoba Jobs Fund will continue to emphasize the Rentalstart Program in response to low vacancy rates in Winnipeg and throughout the province.

In addition to the Jobs Fund, resources budgeted for economic development total some \$501.4 million, or more than one-half billion dollars, this year. Some \$922.4 million will be provided through the Jobs Fund and non-budgetary capital authority to provide the vitally necessary public investment component of economic development and growth.

The consistent record of this administration in maintaining and enhancing public services will be continued through the provisions of these Expenditure Estimates.

A few months ago, my colleague, the Minister of Industry, Trade and Technology, spoke on the integral relationship between social and economic development. I want to repeat some of his words here tonight, because they belong in the record of this Assembly, and they belong in the Budget of an NDP Government.

He said as follows:

"Social development and economic development must go hand in hand. "Although it is certainly true that we cannot have social development without economic development, the converse is equally true. This point is . . . absolutely fundamental to our whole approach.

"It is precisely this message that distinguishes us as Social Democrats from the many conservative-minded commentators and politicians around us. Their approach, their models, their philosophy suggest that by sacrificing progress on the social front, we will somehow advance on the economic front. They are wrong. In this, they are fundamentally wrong; perhaps even destructively wrong.

"In the Government of Manitoba, we see the maintenance of quality social services as a vital part of our economic policy. To the conservative mind, this appears to be a contradiction. To us, it is fundamental to the economic alternative we offer."

I'd like to run through a brief review of some of the highlights of the important social services financed through this Budget and that should be of interest, I would hope, to all members.

Health care again commands the largest share of the Budget, over 31 percent, and the largest increase in dollar terms, up \$54 million, 5 percent, to \$1,136 million.

We have demonstrated that high quality health care for our citizens is very important to us. We are determined to protect vital health services from those who would prefer to erode them. In addition, through this Budget, we will provide:

an increase in the Community Health Program to \$42.8 million, reflecting our government's commitment to alternative health care delivery systems which can be more effective and less costly than expensive traditional hospital and institutional care;

there will be increased emphasis on disease prevention;

increased day eye surgery capacity;
increased out-patient and not-for-admission surgery services in Brandon; and

expansion of chemotherapy services in rural hospitals.

These increases have two common thrusts, better health care for ordinary Manitobans and, over the long term, lower costs.

Unlike some other provinces, we will ensure universal access with no medical premiums or hospital user fees. Our approach to controlling health costs operates within an overall balance which provides a fair deal for Manitoba doctors, hospitals and other health care workers and a fair deal for Manitoba taxpayers.

Investment in human resources - ranging from basic education, to economic security, to child and family services - remains a fundamental commitment of our New Democratic Government. Money is limited, but we remain determined to sustain investment in our most precious resource, the men and women and young people of Manitoba.

Within education we have structured school operating grants to provide provincial funding increases in excess of the provincial average of 2 percent to those school divisions with low property tax assessments per pupil. In addition, measures have been introduced to ensure that no school division, in 1985, receives less funding than in 1984.

For the third year in a row there will be no increase in the education support levy tax on property.

In keeping with our government's commitment to quality education for all Manitobans, operating grants to school divisions have increased by \$99 million or 36 percent since we took office. This increase of 36 percent, I believe, compares very favourably to inflation, including the forecast for 1985, of about 25 percent over the same four-year period. Thirty-six percent increases in funding, inflation at 25 percent. Not bad, considering what we had to come through. This has allowed Manitoba school divisions to maintain high quality educational programs.

Grants to universities have been increased by \$3.3 million or 2.1 percent to \$156.3 million this year, over one-third above the 1981-82 level.

The Estimates also include support for important new training facilities and programs including:

the Manufacturing Technology Training Centre at Red River Community College;

new training and education programs for unemployed youth, adults and seniors, women, Natives and handicapped people;

co-operative programs with business, labour and industry to train and retrain in the workplace.

In the area of Community Services, Economic and Employment Services, this Budget provides an increase of \$22.8 million - 7 percent in resources in that sector - bringing the total to almost \$350 million.

These sums will preserve and enhance programs which our government, in close partnership with the community, provides to many vulnerable Manitobans.

Included in the totals are:

An additional \$3.4 million to assist physically and mentally disabled people through program initiatives such as "Welcome Home."

\$44.8 million for child and family support to sustain healthy family functioning and to protect children.

Increased emphasis on measures and services to help the many children and spouses who have, for too long, silently endured family violence.

A \$13.7 million increase to sustain income support and assistance programs, including social allowances, the Manitoba Supplement for Pensioners and the Child Related Income Support Program.

The provision of affordable day care for working parents and quality care for children has been a cherished priority of this government. This Budget will continue to support the expansion and improvement of day care. The \$1.9 million increase in grants and subsidies to \$18.4 million this year more than doubles the 1981-82 total. Manitoba now provides the highest per capita support to day care of any province.

And on that topic, obviously, a national commitment to day care with adequate federal cost-sharing, as my colleague, the Minister of Community Services has proposed, would help ensure that parents, and particularly single parents, have fair and equal access to job opportunities and no longer face extra obstacles because they cannot be assured of quality care for their children.

We will not wait for federal action. Despite the obvious resource constraints we face, I am pleased that another 450 day care spaces will be phased in under the provisions of these Estimates.

I'd like to comment briefly on four other items in the Estimates.

Requirements for the Department of Government Services are up \$41.9 million reflecting, in large part, rental payments to Manitoba Properties Incorporated. These account for \$36 million of the \$41.9 million increase. However, as members are aware, the Manitoba Properties arrangement secures an annual benefit of about \$8 million for Manitobans.

Requirements for the Civil Service Commission have increased by \$4.6 million. Of the increase, almost \$2 million represents pensions for retired public servants and their families. A \$1.2 million increase in Workers Compensation costs and over \$600,000 in increased Canada Pension Plan costs are also significant factors.

Statutory public debt costs amount to \$263 million, up about 4 percent from last year's Budget. These costs represent 7.3 percent of spending. In 1984-85, Manitoba's budgeted debt charges were fourth lowest among the provinces on a per capita basis.

Direct assistance to local governments and taxpayers amounts to an estimated \$317.8 million in 1985-86 up about 5.2 percent from last year's Budget. The largest portion of that increase is \$12.1 million in assistance directly to taxpayers through the tax credit programs.

Equity and fairness in taxation is a vital concern to all Manitobans. Fair taxation, and the knowledge that everyone is paying their fair share is essential to rebuilding an atmosphere of trust, co-operation throughout our country. Each taxpayer's contribution to funding public services should reflect his or her ability to pay. In our view, ability to pay is best measured by a comprehensive definition of income and wealth.

Unfortunately, the national income tax system is seriously flawed. It is not producing revenues in line with economic renewal. As a result, important programs and services are coming under increasing financial pressure and governments are relying on other taxes. Income tax reform is urgent and must become a priority on the national policy agenda.

Meanwhile, choices must be made to secure the resources necessary to fulfill important public responsibilities at the provincial level.

We have kept increases to the minimum required, and we have protected the competitive position of Manitoba businesses.

I am pleased to announce there will be no increase in sales tax. There will be no increase in business taxes. There will be increases confined to three specific areas:

Fuel Taxes: the general gasoline tax rate will be increased by 0.5 cents a litre to 8 cents effective April 1, 1985. At the new rate, no province levying fuel taxes will have a lower general gasoline tax than Manitoba, and a lot of budgets are yet to come.

Mr. Speaker, our government is concerned that the current pricing structure of gasoline in Canada, with leaded fuel selling at a lower price than unleaded fuel, provides an incentive to use the higher-pollutant fuel. We believe this is inappropriate and inconsistent with our desire for a cleaner environment today and in the future. Accordingly, we are proposing a special surcharge on leaded fuel of 0.9 cents per litre, which should roughly halve the price differential between leaded and unleaded gasoline.

The motive fuel tax rate will be increased by 0.6 cents per litre to 9.2 cents a litre effective April 1st. No province east of Manitoba will have a lower rate. As members know, Saskatchewan and Alberta do not have that tax and B.C. is slightly lower. This is a modest increase which effectively preserves our trucking industry's competitive position against all the rest of the country.

Competition Assistance Grants near the Saskatchewan border will be adjusted to reflect the changes.

As a further measure to equalize tax costs, the special diesel fuel rate for rail use will be set at the same rate as road use motive fuel effective April 1st. At the new rate, rail use in Manitoba will be taxed 4.4 cents a litre

lower than in Saskatchewan and, of course, coloured fuel for farm use continues to be fully exempt from provincial fuel taxation.

Members opposite will be pleased, and people on this side of course, will be pleased to know that the general rates proposed in this Budget will remain lower than the ad valorem rate system legislated by the Conservatives back in 1980. So had we retained your system, the rates would be higher. Based on a price survey conducted on March 8th, Manitobans would be paying 8.6 cents a litre in gasoline tax and 9.9 cents in diesel fuel tax had the Conservative approach been maintained.

You may also be interested in noting that the Highways Department Budget for 1985-86 - the Minister has done an excellent job - exceeds the full revenue from all of these fuel taxes by \$29 million; that is, we spent \$29 million more on our highways than all of those taxes combined.

Tobacco taxes will be increased by .5 cents per cigarette to 3.1 cents per cigarette, effective midnight, April 28th.

Water Power Rental Rates will be increased from \$3.25 to \$4.75 per horsepower-year of generation, and capacity rates will be increased correspondingly.

In total, the adjustments are expected to increase revenues by \$38.1 million.

I'd also like to take this opportunity to announce that the Manitoba Manufacturing Investment Tax Credit, which was scheduled to expire at the end of 1985, will be extended to December 31st, 1986. This innovative measure introduced last year, applies to investment in new buildings, machinery and equipment which are used in a manufacturing or processing business in Manitoba and it has been extended, at the request of manufacturers who view it as a very positive move for Manitoba, and it may well be that that's one of the reasons why overall investment, private investment in Manitoba, is predicted to go up so strongly.

The Expenditure Estimates tabled with the Budget total \$3,618.7 million - \$161.1 million or 4.7 percent more than last year's Estimates.

Our spending is under prudent control - responding appropriately in overall terms to the economic renewal while preserving commitments to jobs for Manitoba men and women and maintaining services.

On the revenue side, there are some problems in federal transfers. Income taxes do not appear to be keeping pace with recovery. Again, this is a nationwide problem, common to all provinces and to the Federal Government. This is to be dealt with in depth in federal-provincial consultations in early summer and our province looks forward to those consultations with considerable interest.

Our own source revenues, taxes and fees over which we have direct control, are growing in line with the economic recovery. With the limited tax adjustments announced tonight, these are expected to grow by \$129.1 million or 11.8 percent, that's as compared to expenditure growth of 4.7 percent.

However, federal source revenues are growing by \$24.3 million or 1.3 percent over last year's trend, 1.3 percent, so that in total, revenues are estimated at \$3,122.5 million, \$153.5 million or 5.2 percent over last year.

This will result in total budgetary requirements of \$496.2 million, fairly close to last year's \$488.7 million estimate and \$82.7 million lower than the \$578.9 million budgeted for 1983-84.

The net operating deficit at \$192.6 million, is up from last year's \$167.7 million, but still far below the \$294.8 million budgeted for 1983-84. However, it remains moderate in relation to overall spending, and it would, of course, be smaller if income tax revenue were meeting rather than falling short of federal expectations. In fact, if income tax revenues in 1985-86 simply matched last year's Printed Estimate, provincial revenues would be \$29.4 million higher, if we just had the same amount as last year's printed Estimates, and the operating deficit would be lower than last year's, and of course, the total budgetary requirements would be considerably lower than last year's.

I should add for the benefit of those who don't recall, that those revenue Estimates have always been made, not by the Provincial Government, but by the Federal Government. We accept the numbers given to us by the Department of Finance. These are the latest available numbers we have, and I'm sure that all of us would hope that they improve.

I might add to put the net operating deficit into perspective, that it is projected at about 1.1 percent of Gross Provincial Product, down substantially from 1.4 percent in 1982-83. Total budgetary requirements have also declined significantly in relation to our economy from 3.1 percent of Gross Provincial Product in 1982-83 to a projected 2.8 percent budgeted for the coming year.

On that basis, we remain satisfied that both the operating deficit and the total budgetary requirement are fiscally responsible, prudent and appropriate in current circumstances.

This Budget includes a capital authority requirement of \$1 billion for construction of the Limestone Generating Station. The \$1 billion is necessary so that contracts can be concluded and work initiated quite soon. Approximately \$140 million is expected to be spent in the 1985-86 fiscal year.

In total, including Limestone, our government plans a non-budgetary capital investment program of \$839 million for 1985-86, approximately 26 percent, or \$174 million greater than last year.

Apart from Limestone, the investment program will be financed with \$140 million in internally-generated funds, \$236 million in capital authority voted in previous years, and \$323 million in new authority in this year's Loan Acts. Total borrowing requirements are estimated at \$1.45 billion.

Earlier, I said that Manitoba men and women delivered a direct and clear message to our government during the extensive consultations which led to this Budget. Our New Democratic Government listened and responded. In line with that advice, this Budget builds on the successes of our first three Budgets.

We have continued the attack on unemployment. We have rebuilt, preserved and protected vital public services.

We have stressed the urgency of national tax reform to the maintenance of quality public services, to

restoring national tax fairness, and to increasing fiscal flexibility.

We have maintained in Manitoba, the fairest and most equitable tax structure in Canada, a system with no regressive user charges or unfair health premiums.

We have extended the innovative Manitoba Manufacturing Tax Credit. We have sustained the successful Manitoba Jobs Fund.

We have demonstrated our commitment to maximize opportunities for Manitoba men and women, especially Northerners, and again more especially Northern Natives, under Limestone.

We have shown our confidence in the faith and vision and initiative of Manitoba men and women. We have proved over and over our commitment to co-operation, to helping, to working together. In short, we have put people first. We have listened. That is why my colleagues and I take pride in this Budget.

Thank you.

MR. SPEAKER: Are you ready for the question?
The Honourable Leader of the Opposition.

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

MOTION presented and carried.

MESSAGES

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: Mr. Speaker, I have two messages from Her Honour the Lieutenant-Governor.

MR. SPEAKER: The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, Estimates of sums required for the service of the province for the fiscal year ending the 31st of March, 1986, and recommends these Estimates to the Legislative Assembly.

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

The Honourable Minister of Finance.

HON. V. SCHROEDER: I move, seconded by the Minister of Energy and Mines that the said messages, together with the Estimates accompanying the same, be referred to the Committee of Supply.

MOTION presented and carried.

TABLING OF REPORTS

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: Mr. Speaker, if I have leave, I'd like to table the Third Quarter Report, as well as the Provincial Auditor's Report, and the Public Trustee's Report for the year.

Thursday, 21 March, 1985

MR. SPEAKER: The Honourable Minister of Municipal Affairs.

HON. A. ANSTETT: Mr. Speaker, I move, seconded by the Minister of Finance that the House do now adjourn.

MOTION presented and carried and the House is adjourned and will stand adjourned until 10:00 a.m. tomorrow morning (Friday).