



First Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

**DEBATES
and
PROCEEDINGS
(HANSARD)**

39 Elizabeth II

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARR, James	Crescentwood	Liberal
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward, Hon.	Portage la Prairie	PC
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALLOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold, Hon.	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PENNER, Jack, Hon.	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA

Tuesday, November 13, 1990

The House met at 8 p.m.

House Business

Hon. Clayton Manness (Government House Leader): Mr. Speaker, I wonder, with your indulgence and the indulgence of the House, if I could just read the item before me for 30 seconds? Would that be acceptable?

Mr. Speaker, I thank the House for its indulgence. There have been discussions amongst the House Leaders aimed at expediting Estimate consideration, and I would appreciate your determining if there is unanimous consent of the House for the following:

1. That both sections of the Committee of Supply sit tonight until twelve o'clock midnight.

2. That notwithstanding sub-rule 65.(9)(c), the Estimates of a department may be introduced after ten o'clock tonight.

3. That where, after ten o'clock tonight, either section of the Committee of Supply has completed departmental Estimates that were under consideration at ten o'clock tonight, it may proceed immediately to consider the Estimates of another department.

Mr. Speaker: Would the Honourable Government House Leader have unanimous consent to make those changes? That is agreed? Agreed.

Mr. Manness: Mr. Speaker, before I move the motion, I should also indicate that I imagine there will be further discussions around many other details that will be introduced in tomorrow's business.

CONCURRENT COMMITTEES OF SUPPLY SUPPLY—FINANCE

Mr. Deputy Chairman (Marcel Laurendeau): At this time, we will return to the consideration for the Department of Finance. When we last met, this portion of the Committee of Supply was considering No. 5.(a)(1) Salaries for Federal-Provincial Relations and Research Division, for \$902,800.00. Shall the item pass?

* (2005)

Mr. Leonard Evans (Brandon East): Mr. Deputy Chairman, I was asking the Minister the last time we met about the Government policy regarding acting as a collector for the federal Government for the GST. The Minister gave us a long explanation as to the ramifications of the GST on Manitoba, but one item, one area was the role of the collector. We pointed out that Manitoba sold fishing licences, hunting licences, trapping licences, we had land transactions at Land Titles Offices, motor vehicle licences and so on.

Mr. Deputy Chairman, my experience is that a Minister of the Crown could not be involved in debate in these committees unless he was the Minister involved in the particular department.

At any rate, I gathered from the Minister's remarks that no decision has been made yet as to whether or not Manitoba is going to help the federal Government implement the GST in Manitoba. I noted that the Government said they were opposed to it. I maintain that if they are really opposed to it, why would they want to facilitate the collection? At any rate, I just want to get a clarification. The Minister did say, as I understand, that no decision had yet been made in collecting the GST for the federal Government for the various licences that we sell or services that we provide.

Hon. Clayton Manness (Minister of Finance): Mr. Deputy Chairman, before I respond to the question, let me thank all the Members and indeed the staff for their indulgence over the most part of the day and indeed late last week. These have been times when long discussions have been going back and forth and I feel sorry for not only Members of the committee, but indeed my staff. I publicly wanted to put that on the record. I will endeavour not to bolt out of here at least before midnight, although some think I have a record of bolting out of committees.

Mr. Deputy Chairman, the Member asks a question about collecting, on behalf of the federal Government, the goods and services tax. When we survey the scene, when we try and pull ourselves from the rhetoric that some use and indeed some of the genuine considerations that we have as a

Government and begin to say, well, what can happen if indeed we do not collect, if we choose not to collect, I can say in all honesty no decision has been made at this point to collect. Yet when we look at it from the other sense as to what would happen if we did not, to what ends would the federal Government go to penalize us if we chose not to collect the tax because we are providing a service, we are a seller of services, and if we chose not to collect, what would be the impact? Would we lose somewhere else? It is answering that question that we believe that we would lose somewhere else, that we have sensed that we had better at least prepare the system to collect in the event that we make the decision to collect.

* (2010)

I just have to remind the Member that—this is a completely different question, and he would say, well, that is right, but when the Canada Health Act came down, provinces that were collecting certain fees in support of health, of course, lost dollar for dollar everything they collected, so the powers of the federal Government are very, very significant in questions like this. One had better recognize that and just not boldly ride off to the sunset flaunting your disgust at the federal Government for imposing a tax and saying that we do not have to collect.

I know in the case of Alberta where they probably for a number of reasons are more strongly opposed to this GST than any other jurisdiction, even there in that province they are collecting, but putting the funds into trust. Mr. Deputy Chairman, if that province is going to enter into a collection system, before they make their representations to court, before a judgment is rendered as to whether or not a province can be expected to collect on behalf of another senior Government, in this case the federal Government, they themselves are collecting and are going to lodge those proceeds into trust.

Mr. Leonard Evans: Well, Mr. Deputy Chairman, I believe the Minister has simply confirmed what he said last week in that no decision has yet been made on whether or not to co-operate with the federal Government in this tax which the people in Manitoba are violently opposed to, there has been no decision made yet, and that you are bringing the information together, I think is what you said last week, and a decision will be made. I believe you made reference to MPIC—no decision yet has been made. I believe Mr. Bardua confirmed that also a couple of days ago, the president of MPIC. Does that apply to all

Crown companies and all departments, that no decision has been made on acting as a collector for the GST?

Mr. Manness: There is no exact categorization of where all the Crowns fit. They are all treated differently. First of all with respect to MPIC, because it has drawn the most attention over the last few days, the Government probably entered into—one of the very few times since we have been in Government that we used our vetoes in some respect and said for the well-being of the motorists that we would demand that MPIC approach the Public Utilities Board on the basis of a zero rate classification, we did that because if MPIC were to approach the Public Utilities Board on the basis of exempt status, then the impact would have been much greater to the motorist.

* (2015)

We said in that case that the well-being of the Manitoba motorist takes complete precedence, and the only protector of their right in this whole situation is the Manitoba Government. The Government stepped in, in essence directed MPIC against maybe even their better wishes and asked them to make their presentation accordingly. If one read the editorial today, time will tell whether we did the right thing or not, but we were given to believe early on in this exercise, our officials were led to believe, that MPIC could apply for zero rated status. We have had no official indication since, although we have had representation from the federal Government, their officials asking us—not asking us, but taking sort of a less than strong view. So it is because of that concern that we asked MPIC to go forward on the basis they did.

Now with respect to the other Crowns, Mr. Deputy Chairman, let me make it perfectly clear. There probably are a couple of examples where they are closer to Crown, due to Government entities, and as such are exempt, are zero rated, whatever they apply to.

There are others such as hydro and telephone that are certainly at arm's length and are selling a service to individuals. They therefore will have to develop their own number and will have to collect the tax accordingly. They cannot be in any way saved—and when I say they, I am talking about the ratepayers who use their services—from the application of this tax. So the Crowns do not fall

neatly into one class. They are sort of spread all over the place.

Mr. Leonard Evans: Mr. Deputy Chairman, I think I sort of detect a Minister of Finance who is being too reasonable with the federal Government. I think on the one hand, he made a case that we would not use the court route. Some provinces are engaged in court challenges. The Minister of Finance (Mr. Manness) and the Premier (Mr. Filmon) have indicated that this would not be a fruitful exercise to pursue.

Now we are talking about collecting. We seem to be on the verge of agreeing to collecting for the federal Government with regard to the various departments. Now he is telling us, those Crowns, such as hydro or telephones or whatever other Crown there is out there that is selling a service, that they, too, can just readily, easily co-operate with the federal Government and collect a tax.

The point I am making and what people of Manitoba want to know is if you are really and truly opposed to this tax, surely we do not have to co-operate with the federal Government in collecting it. People are damn mad about the GST. I know maybe with sitting in this building too long we forget that the people out there—you have to go to your constituency and talk to them, and you realize that this is still burning in the hearts of the average Manitoban. They are damned annoyed and damn mad at the GST.

I think they would shout "bravo" if the Manitoba Government said, well, at least we are not going to co-operate with them. We are not going to court, but we are not going to collect this tax for the federal Government. That is the least you could do. Some were disappointed that you are not using the legal route, but that is the least we could do is not collect the tax.

* (2020)

Mr. Manness: Well, Mr. Deputy Chairman, this Member cannot have it both ways. He is fully well aware that when the federal Government first imposed an 11 percent telecommunications tax on our long distance charges—and I believe he sat around the Cabinet Table at the time. I do not remember the NDP Government of the Day taking that to court. As a matter of fact—I may have missed it—but I do not remember that.

So you have a situation now where our users are paying 11 percent of long distance. Under the

change they will be asked to pay 7 percent across the board on the total bill. We sense there will be basically no difference. It still takes out of Manitoba roughly several millions of dollars, so there will be no net change there.

Now the Member talks about the other provinces going to court. Fair statement, and we have told the public, the Premier (Mr. Filmon) has told the public why Manitoba is not going alongside of Alberta, B.C. and Ontario, the three richest provinces in this country, and not joining them in the courts. The Member does not point out that one of those provinces, in my view the one that is by far the most concerned and the most outspoken with respect to the GST, that is Alberta, is collecting the GST—again, I reiterate, collecting it, taking the proceeds owed and putting them into trust.

I do not know what the Member is trying to say. He is saying, do not collect it. Yet, in one breath he is saying, join the other provinces. In the other breath he is saying, but do not join them with respect to collection, because Alberta is collecting; we do not want you to collect. Yet, when he was in Government, I do know exactly what happened. I know that the federal Government brought forward an 11 percent telecommunications tax on long distance, and I do not believe the NDP Government did anything other than protest mildly. I just ask the Member to be consistent, because I think that is important in a discussion like this.

Mr. Leonard Evans: Mr. Deputy Chairman, I think we are being consistent. The fact is, the Minister has various options open to him. The point I was making a moment ago was that you are not going the court route, so you put that aside; you made the argument why you should not. Then I said, well, you have the opportunity to show your opposition by not collecting. Now we are being given arguments why we should not collect, because one of the provinces going to court is going to collect anyway and put the monies in trust.

I do not think I am being inconsistent at all. I am simply saying, if you are not using the court route, or the legal route, then why not show your displeasure by refusing to collect the GST. The GST is quite a bit different from the 11 percent telecommunications tax. That was a specific tax argued for a specific purpose. The GST is across the board and affecting everybody from cradle to grave.

The people of Manitoba have said categorically—I know in my own constituency I participated in a rally, it was about 30 below last winter when Brian Mulroney came to Brandon, we were outside for a long time because he was late in getting to the Victoria Inn. I can tell you the people of my riding were damn mad about the GST and they still are. I would say that they would be very delighted if this Government had some backbone and showed that it was not going to co-operate and meekly go along with the GST collection.

The Minister can do and the Government can do what they will, but what he has been telling me so far is that there has been no decision; you are collecting information and reviewing the position. Really I think what you are telling me, and I do not want to put words in your mouth, but I think what you are really telling me is that you are going to collect it. If you are going to collect it you might as well tell the committee now, that you are going to collect the GST on those various goods and services that the Manitoba Government sells.

* (2025)

Mr. Manness: Mr. Deputy Chairman, the Member is putting words in my mouth. That is not my decision to make, whether we collect ultimately or not; that is a policy decision of Government. Those are made in Cabinet, and up to this point in time that decision has not been made.

I can tell the Member though, again I will reiterate two things. First, departments are wanting to know, because they are being pressured one way or another to have a system in place if they are going to collect.

Second, I tell him that if we could just merrily ride off into the sunset not collecting this tax, we would prefer it, but ultimately if it is going to cost us more because the federal Government is unilaterally going to make some change in some cost-shared program or make a unilateral change in some other areas of funding to our province, we have done nothing to improve our lot. After all, we are governing in a way that is trying to maximize and optimize, to use terms that the Member understands, the lot of Manitobans with respect to its sharing in the national economic wealth.

I am well aware of the Member's constituents and their outcry on the GST. They are probably not an awful lot different from mine, but common sense has to prevail at times when you are in Government. At

times you have to make decisions that you would rather not make. We have not made any yet with respect to collection and, yet, we have to have all the options available to us so we can make the best decision.

Mr. Leonard Evans: When you say you have not made any decisions yet with regard to collection, does that include the Crowns, or did you say a moment ago that did not include the Crowns?

Mr. Manness: Mr. Deputy Chairman, we have absolutely no argument with respect to the Crowns. How do you say to, for instance, Manitoba Hydro, or what argument do you make in support of Manitoba Hydro when it is competing with Winnipeg Gas, which has to pay the tax? What argument do you make to Manitoba Telephone System when there are other forms of communication systems that are paying the tax fully? I mean, how do you build the argument based on common sense and based on some common logic which you have to bring to these arguments; at least I do.

Maybe the Member said, well, a Crown is something different totally. As soon as we give it the title, Crown, then it is saved? Well, Mr. Deputy Chairman, if that was the way to work yourself out of anybody paying tax, then theoretically we should adopt the hoped for model of I believe the New Democratic Party. That is that Government owns everything, and we put the Crown stamp on everything. We brand everything that moves, everything that earns and everything that has production, everything that creates wealth, with the Crown brand.

* (2030)

Mr. Leonard Evans: Well, of course, the Minister is not extremely serious when he made his last statement, that we believe that everything should be owned by the Government and operated by the Government. That is totally false. I do not know what that has to do with this argument.

I am simply making the case, Mr. Deputy Chairman—I do not want to ride this around really any longer, because we have discussed this last time as well—I am simply making the case that this was an opportunity for the Manitoba Government to stand up to the federal Government.

I think the people of Manitoba would be cheering you on to do this. Maybe put the money in a trust, that is another opportunity I suppose; you could collect the money, put it in trust.

On the other hand, the Province of Alberta is in a different position, because it is fighting it. I presume it is putting it in trust pending the outcome of the court case, but I think there is a lot of symbolism in a lot of this. I think that the people of Manitoba would be very satisfied if the Government of Manitoba showed some backbone and opposed the GST in this way.

In fact that is a fairly small way, because most people do not spend much money in buying Government licences and fees and, you know, selling their homes. We do not do that very often, so we are not involved that much in this process.

So I am going to predict now that all Crowns would be collecting it and all Government departments and agencies will be collecting the GST for Mr. Mulroney and Mr. Wilson, and we will be going along very meekly and quietly in this respect.

Mr. Manness: Mr. Deputy Chairman, you know, that is an easy point for the Member to make, but let us be so honest and candid to watch the activity now in the new NDP Government in Ontario and see what their response will be when similar questions are posed. -(interjection)-

The Member for Elmwood (Mr. Maloway) says, well, they are going to court. Well, yes, I guess they are going to court, Mr. Deputy Chairman. I can tell you, no doubt this province will end up in court, but it will have to take all of its resources and direct it in an area of equalization, because when we prioritize these items, to me the greater threat still is in the area of equalization.

The Member wants us running off into court on this issue, this issue and the next issue. I say to him, fine, but understand you can only do so much, and from my point of view, equalization and the fight around that whole sharing concept in the Canadian context will take on the highest priority.

Mr. Leonard Evans: Mr. Deputy Chairman, could the Minister indicate whether he has any studies available or any research available from this division regarding the impact of the GST on the economy, not on the finances of the province, but on the economy? What information do you have on jobs, job losses, inflation or whatever?

Mr. Manness: I can remember a year and a half ago, it seems to me that long already, that I gave a briefing to the Opposition Parties, and I believe Mr. Evans was there, at which time we answered the

question of the impact on the economy. At that time the forecasted rate was 9 percent and we sensed—

Mr. Leonard Evans: Nine percent of what?

Mr. Manness: It was the forecasted GST rate at that time. Mr. Deputy Chairman, the Member shows his keen awareness and historical understanding of this whole GST.

At that time I think we said that it would be a negative—we sensed that in 1991 it would be anywhere from slightly negative to slightly positive, and when I say slightly positive I am talking the highest forecast was the federal finance, which might be a little biased, at 0.2, and the most negative was the Conference Board at 0.6. I am talking about growth in the GDP, or provincial product in this case.

Then it changed to 7 percent, and since then we believed that the numbers would not change materially. Indeed, seeing that there was less money being taken out, still the impact would be more or less flat. The Member says how can that be when you are services now? We have to take into account the inflow coming in through the sales tax credit.

Mr. Leonard Evans: Mr. Deputy Chairman, just for clarification, when the Minister uses these numbers—

Mr. Deputy Chairman: Order, please; order, please. If the Honourable Members want to have a conversation, please take it out in the hall.

Mr. Leonard Evans: When the Minister uses these figures 0.2, 0.6, related to the 9 percent, is he talking about that amount that the real growth would be negatively affected by it? In other words, did he mean that the growth rate would be 0.2 less because of that, or would that be the growth rate? I am not clear from his statement.

Mr. Manness: Mr. Deputy Chairman, I did not make myself clear. That would be the impact on the growth rate or whatever—

Mr. Leonard Evans: So it could turn in one day from one of those, whatever growth we had.

Mr. Manness: That is right.

Mr. Leonard Evans: Okay. Mr. Deputy Chairman, we spent a couple of hours last time on this, on the GST, so I do not think I will ask any further questions on that, but perhaps some other Members may have some questions on research.

Mr. Jim Maloway (Elmwood): I think the reason that we are suspicious about the Government's

intentions goes back to the Minister's comments of a year ago when he suggested that he in fact supported consumption taxes. I mean, that is where the first indication comes that the Minister personally is in favour of consumption-style taxes, and although he pulled in his horns the next day and did not repeat that statement, we certainly feel that the Minister in fact in general supports this kind of a tax.

More specifically, Mr. Deputy Chairman, I wanted to follow up with the Minister on a question I asked him the other day regarding the investments policy of the Government. At the time, I had suggested—and he, of course, was not at this particular meeting—that if the Government was so concerned about this tax, they could perhaps retaliate against the federal Government and withdraw some of the monies that they have invested in federal Government securities and so on. I had some other questions that evolved out of that.

I would like to ask the Minister whether or not the Department of Finance has an investment policy, and if they do, what is it?

Mr. Manness: Mr. Deputy Chairman, I ask for a repeat of the final—I heard the whole commentary other than the last question. I am sorry.

Mr. Maloway: I am simply asking the Minister whether he could tell me whether the Government has an investment policy with regard to—I am sorry. Could we get clarification on that? For clarification, the Minister is aware that the Crown Corporations invest considerable amounts of money in other provinces and so on.

I had suggested at the time that the Minister might want to look at a Government policy which dictated that perhaps the Government would not buy bonds from Ontario Hydro because Ontario Hydro was involved in nuclear, and they would not buy bonds from Quebec Hydro because they were disrupting Natives' lifestyle, and perhaps they would not buy bonds from the federal Government right now because the federal Government was bringing in the GST.

You have to consider that in view of the fact that a number of organizations in this country, financial organizations, do provide ethical financial services which can return as good a return as any other kind of investment. One does not have to invest in companies involved in tobacco or alcohol or

armaments and so on to get a good return, and the Minister is no doubt aware of that.

I am asking him whether or not the Government has a similar type of policy.

* (2040)

Mr. Manness: Mr. Deputy Chairman, the Member is going to have to be more definitive, what he does not like about our investment strategy.

I know we have roughly \$500 million or \$600 million invested short term that is in Government of Canada Treasury Bills. He then would say we should invest them, because the federal Government is bringing down the goods and services tax.

I guess you want to look at MPIC. I have not looked at the whole portfolio of investments, but I know, for instance, MPIC does an awful lot of local purchasing of debentures, very supportive of the community as a whole.

An Honourable Member: Of course.

Mr. Manness: The Member is saying that we should have guidelines that strictly prevent MPIC or the other Crowns from investing.

I can also indicate, though, that when we float money from day to day—and I forget what the portfolio's short term is, not on the borrowing side, but indeed on the investing side—if we run away from Ontario Hydro, then they will run away from us, because they also have borrowed, taken some of our paper from time to time.

What the Member is saying is, move away to what he considers ethical investments. What happens if my ethical investments are different from his? I do not know how it is you preach ethical investing. We know, for instance, that the Member says, tobacco. I do not think we have a dollar invested in shares in a tobacco company. I know we do not. We impose that restriction on ourselves without policy. It is just common sense. I know as a province we do not have a dollar invested in the pulp and paper industry. I do not know whether that is ethical investing or not or whether that is just aversion to risk. I guess I am at a loss as to what bent he is on. You can be all over the place—and when the Member says about my view on consumption taxes, I would just ask that he listen carefully, if he can, to my view on consumption taxes.

The Member fails to realize that in Manitoba over \$1 billion in this year's budget in the area of revenue

estimates is being brought in by way of consumption taxes, all of which the NDP Government increased more in one year than we did in our first three budgets. I would like to talk about the sales tax, \$630 million brought in—a consumption tax; liquor tax, \$140 million brought in—a consumption tax; gas tax, \$127 million brought in—a consumption tax; tobacco, \$113 million brought in—a consumption tax.

At least I am honest enough to say that consumption taxes are something that in principle I can understand. I cannot understand the Member for Elmwood (Mr. Maloway) being part of a Government for so many years, which brought in virtually out of Manitoba source revenues of 1.4 this year, \$1 billion, all by way of consumption taxes, and then trying to wash his hands as if he is pure and wants a different system. These are consumption taxes.

Mr. Maloway: I was simply checking your position.

Mr. Manness: My position has not changed. I said from Day One that consumption taxes are eminently fair, and I still believe that, because the more money you have, the more money you tend to spend. -(interjection)- The Member says they are regressive. They are regressive if indeed the majority of your disposable income is going to be directed toward food and shelter and the basics of life; then it is regressive. They are not regressive if the vast majority of your income is going to be directed toward holidays outside of the country, toward fancy hairdos and after that, seeking investing advice, so you can make a million and pay nothing for it.

If somebody can tell me it is regressive with respect to some services, then I -(interjection)- I said, a consumption tax somehow is a fairer tax to me. I am sorry, I cannot withdraw from that. The GST has major problems, and I have said it. I am on the record over and over again. I have documented them on behalf of this Government several times to Blenkarn's committee, directly to the Minister of Finance federally—massive, massive problems with the GST. That is why this Government opposes it.

Mr. Maloway: Mr. Deputy Chairperson, given that we have been on this particular line now for something like a week, or at least it seems like a week, perhaps we could pass 5.(a) and move on a bit.

Mr. Deputy Chairman: We are dealing with item 5.(a)(1) Salaries. Shall the item pass—pass.

An Honourable Member: No.

Mr. Deputy Chairman: Sorry about that. I did not see that.

Mr. Kevin Lamoureux (Inkster): Mr. Deputy Chairperson, seeing as we are on the discussion of the goods and services tax, the Minister has stated that the Cabinet has not quite yet made a decision in terms of the collecting of the tax. I would ask the Minister if he has been approached or his department has been approached, from federal officials trying to gain insights on what this Government is going to be doing regarding the goods and services in the collection area?

Mr. Manness: Mr. Deputy Chairman, no demands—well, let us just put it this way, full expectation bordering on demands, which is, I think, much stronger than a request for insight.

Mr. Lamoureux: Mr. Deputy Chairperson, can the Minister then say, has he been in contact with the federal Minister of Finance? Has the federal Minister of Finance approached him on any personal note via letter correspondence directly to the Minister? I would be interested to know, if he has, what type of response has the Minister given?

Mr. Manness: Mr. Deputy Chairman, the Minister of Finance and myself correspond quite often about a whole host of issues. I do not know whether we formally corresponded on the GST, on the collection issue. I do not think we have ever formally corresponded on collection at all. It has sort of come down from officials. I can tell you the last—this may surprise the Member, but because the earlier requests and points of criticism that I was making by way of letter were taking so long to receive a response, I sort of just got on the phone and made my representation directly, but I have a letter here dated April 9. That is one of the last areas where I laid out all of the consideration or the main problems with respect to the goods and services. This is April 9, 1990.

At that time, and I will read the line: With regard to the goods and services tax, I would like to make a few points regarding two issues discussed during the recent meeting, and here again, mainly around Lotteries and treatment of municipalities, university, schools and hospitals. I implored upon the Minister that they refrain from applying the goods and

services tax to provincial revenues generated by Lotteries.

* (2050)

Mr. Deputy Chairman, I am on the record several times, and I know this is just a part of the correspondence between myself and the federal Minister with respect to the GST and the specific items, but to the best of my recall, I do not ever remember communicating on paper or indeed verbally, certainly verbally, with the federal Minister with respect to collection.

Mr. Lamoureux: Mr. Deputy Chairperson, the Minister of Finance (Mr. Manness) has made, on several occasions, statements that Alberta is going to be collecting the tax even though they are taking the federal Government to court. Are there any other provinces he is aware of that have taken on the responsibilities of collecting the tax?

Mr. Manness: Mr. Deputy Chairman, certainly Quebec is taking it on. They have entered into an agreement. Let me answer the question in a negative sense. We are not aware of one province that is not collecting the tax on behalf of the federal Government, and we dialogue, certainly on a weekly basis, with our counterparts in other provinces.

Mr. Lamoureux: I would like to go back to the province, I guess, and the direction that they are going to be taking us in terms of collecting the tax, and go back to the Cabinet meetings where I suppose we will find out if we are going to be, in fact, collecting the tax.

Does the Minister have any idea in terms of when he feels it is necessary that decision be made—like the next month, within a month? When can we anticipate some type of response from the Government as to whether or not they will be collecting the tax?

Mr. Manness: Mr. Deputy Chairman, it has to be made sooner than later. I do not know whether it will be made in the month of November, but certainly it will have to be made, I would think, before—well, it has to be made before Christmas.

Mr. Lamoureux: One final thing regarding the GST point, and that is the number of jobs. The federal Government is going to need a large number of people in order to implement the tax. Has there been any discussions regarding those jobs? In particular, what will happen here in the Province of Manitoba?

Mr. Manness: If the Member is saying with respect from an economic development point of view, whereby the federal Government is going to be lodging certain numbers of tax collectors under this GST, representing our area and other points east and west, no. Certainly no commitment has been made by the federal Government.

You would be hard pressed to ask them to settle people here, from a provincial standpoint, when indeed you have been against the tax.

I would hope our federal Members though, who obviously are strongly supportive of the tax—and I say ours; I am talking politically from the Conservative Party—would be making their representations at caucus and/or Cabinet.

It is kind of difficult for a provincial Government that is opposed to this tax to go and lobby the federal Government to bring all the tax collectors here. That is kind of foolhardy.

Let me say though, that of greater concern to us was whether or not there would be a raiding of our own tax officials. We sense that the federal Government, in their desperation, might try to lever away a lot of our people. That is happening to a very large degree, I understand, in British Columbia because I know their Minister is very concerned. They have lost a lot.

I guess our rates of pay in Manitoba are more or less at the same level as the bureaucracy in Ottawa, and we have not experienced a major raiding to this point in time.

Mr. Gulzar Cheema (The Maples): Mr. Deputy Chairperson, can the Minister of Finance (Mr. Manness) tell me—I am so used to the Minister of Health (Mr. Orchard). He just keeps on coming. His picture is right over there.

All the volunteer organizations raising funds for various things, for example, the medical equipment for hospitals, and anybody who raises more than \$30,000, I am told, they have to pay the tax, GST. Why, if so, because people are putting their hours in, it is a very difficult job and that means that the volunteer people are being taxed for their labour?

Can the Minister of Finance tell us what action he has taken since he has been made aware of this issue?

Mr. Manness: Mr. Deputy Chairman, there is no doubt, after our Government has pursued the criticism in the area of municipalities, universities,

schools and hospitals, that after that the next item was the impact on the non-profit groups.

We made the strongest representation to the federal Government because, first of all, we consider it an unwarranted attack on these groups. Also, it is myriad of rules around them, because they are not all treated the same.

I understand the rationale from the—again it is the federal rationale; it is not ours—is that these groups, in spite of their hard working efforts to raise funds, when they went out and bought goods before, of course, the manufacturing sales tax was buried in the price of all these goods.

So what the federal Government is saying is that they will provide a 50 percent rebate, knocking the effective rate then down to 3.5 percent if indeed they are non-profit groups.

From the federal Government analysis—and we have no way of proving or disproving this—these agencies then will in essence be paying the same tax to the coffers in Ottawa that they would have been before under the old system.

Mr. Cheema: Mr. Deputy Chairperson, I have a question on a different issue, in terms of the equalization payments.

I understand there was a document inside the House by the Member for St. Johns (Ms. Wasylycia-Leis) that clearly indicated how the transfer payments are going to be affected. It was as given that last year's budget—and the Minister of Finance made those comments a number of times, how it was difficult for this Government to have all the health programs, just even to continue with the rate of inflation.

How are they going to continue to maintain all the health care services for the next maybe three or four years with the possible decrease in the transfer payments? Have they any communication from the federal Minister of Finance? Are those funds going to be cut in terms of the programs, real programs, or ongoing funding of the new programs, because these two are very important in terms of the—if you are going to cut the real programs, the hospital funding, it will have a really bad impact, because if you cut even \$20 million in the real program, you might as well shut down one of the hospitals. It is going to have a major impact.

Can the Minister of Finance tell us what avenues they are going to look at and how they are going to continue to provide the health care system?

Mr. Manness: Mr. Deputy Chairman, I wish I had the answer to that question. If I did -(interjection)- One Member says change the Government in Ottawa. Well, I think all polls will indicate that is going to happen. Were it that simple, I suppose we would all be calling for the election, but I am not one who ever naively believed that changing a Government automatically would provide any guarantee of a change.

The Member's question is very serious and it is one I guess that—it is one of the reasons why Ministers of Finance will probably be assembling sometime in the next little while to see how it is that the systems that we have in place, in support of our health and our education particularly, can be maintained given the incredible debt that we have as a nation.

* (2100)

There is no question that the very systems that we have in place are under a tremendous threat and only a fool would stand up and say, they are not. That is why it is important, from my point of view, that people who really care about these systems set aside some of their political biases, set aside their political stripes, and come together and try and find a solution to this. That is what I am hoping to see done over the next few weeks, with respect to Ministers of Finance, because somebody has to take a lead.

Nobody was more upset than me when Ministers of Finance and Health were asked to come together by Premiers in Moncton in 1989—or maybe, yes—early '89, and asked to see whether or not we could find a way.

Firstly, it took the first five hours of that coming together to try and get some people to realize that we were not there just to bash the feds and ask for more money. I mean, that is easy. That is great. That is pretty easy to go to a conference and have a good dinner and see a new town and come away from it knowing that you have bashed the federal Government all around the block.

I must say, I was very disturbed then with—there were some positive recommendations that came out. We forwarded them to the federal Government and they chose to do nothing. They did not take them seriously.

I am very critical also of the federal Government because if there was ever a time that you needed leadership to bring together the provinces and all

those, particularly in the health care system, who are concerned about debt as to how we are going to continue to support the health care system, given the incredible debt we have, if there ever was leadership needed from the federal Government that was the time. I do not sense it is coming.

As a matter of fact, some provinces will claim that they have no licence whatsoever right now. They have no freedom whatsoever now, flexibility, to deal with a lot. They have the mandate of the Canada Health Act and within it they have no flexibility whatsoever. As far as the commitment by—not the commitment. By the conclusion of some, in another 10 years, in some cases a shorter period of time, the total cash coming by way of transfer in support of health will be reaching a number closer to, or at, zero. Those are logical extensions of pure basic arithmetic and you cannot argue with it.

I am saying to Members opposite, in this case we need help as a Government to find solutions. We have promised that health will be the last area under attack, but nevertheless you cannot continue to support everything you have with borrowed money. I cannot believe, in the context of Canada where we have so much wealth, that we cannot find the solution to this, if we are prepared to share a little bit, maybe hurt a little bit, but certainly there is enough wealth and money being generated to resolve this if we wish.

Mr. Cheema: Mr. Deputy Chairman, I think the Minister of Finance (Mr. Manness) has made it very clear we got an immediate threat as far as you know. To the best of my knowledge, in the next three to four years it is going to be the only health care, not the provincial Government, it is going to be ultimately the federal Government because if you cut the real programs, you are going to be in big trouble.

As I repeated earlier, just cutting, let us say, \$20 million, shutting two Winnipeg hospitals, would have a major, major impact. Also, the Canada Health Act, even if you are Government, at any given time try to have an extra fee charged to the patient, that will have a negative impact on the transfer payments.

So it is really a punishment in both ways, first to the public, and second to the provincial Governments.

I think the basic changes ultimately have to be made in terms of the Canada Health Act, also to make sure that any Government who tried to reform

some of the health system are not punished. Right now, it is not clear at all.

I just wanted the Minister of Finance (Mr. Manness) to be aware of some of the facts, because as he has said, it is very easy to criticize, but there is \$1.7 billion and with the 5 percent next year, I do not know where the Government is going to bring the funds to fund all these new programs. It is going to be extremely difficult.

My next question is in terms of the ACCESS Program. Part of that was supposed to come from the federal Government, and there is one program by the University of Manitoba which is for the northern and Native medical students. That program was started in 1979, and the program is not going to proceed without any funds.

I think the federal Government has said that the Minister of Health was in the House of Commons two weeks ago. The question was asked by the Member for Winnipeg North, in terms of why you are not providing the funds. According to his answer, he said that is the responsibility of the provincial Government.

Here the provincial Government is saying we are not going to fund that program, because we are not getting funding from the federal Government.

So can the Minister of Finance tell us how you are going to attract some of the Natives and some of the northern people to go into some of the underserved areas if you are not going to help them?

I think it is a serious matter and has to be considered, because once you do not provide incentives, it is going to be difficult. It took all the eight or nine years that there was only—I understand, about five or six graduates were able to go and practise medicine, and also some of the other areas like nurses, physiotherapists, or even somebody going for a graduation class for social work. It is going to be very difficult.

I think it is the responsibility of the provincial Government to make sure that at least the facts are clear either to the Minister of Health who—I understand, he is not new now. He is in his office for the last nine months, so whether he was not aware that they have cut down the funding—

Can the Minister of Finance (Mr. Manness) at least communicate with them and make sure that at least partial funding is provided for some of the programs?

Mr. Manness: Mr. Deputy Chairman, in all of my involvement in cost-shared programs, outside of the major transfer areas, none has been more perplexing to me, and indeed the Minister of Northern Affairs (Mr. Downey), than the Northern Development Agreement, its ultimate breakdown, and the impact it had on some of the northern training programs.

We believe that the federal Government has moved too quickly and, certainly in a unilateral fashion, away from their responsibilities.

I guess we have learned now that you should never be the service provider. If you enter into an agreement, make sure some other Government is the service provider. You just put up your share of funding.

What has happened here is a classic textbook case of what can happen when people at other levels of Government unilaterally decide that they are no longer interested in a program that they have made a commitment to which does good work. Nobody can argue that.

Here is a case—when we inherited Government, the contribution, I believe, was around \$8 million in support of the Northern Development Training Allowance. In over two budgets now, we are well over \$12 million and heading for \$14 million.

We also, though, have always indicated that we will maintain our level of support, but the Members are asking us to pick up the federal share, and all you are doing is putting pressure again on other areas of health. You are putting the pressure certainly on education and some of the other priority areas as the dollar can only be spent once.

We are mindful of it, and believe me, in this area we have fought hard. As a matter of fact, the Minister of Northern Affairs (Mr. Downey) and the Minister of Education (Mr. Derkach) made a special trip to Ottawa to see all the major players to deal with this one issue. Although we have a slight reprieve for a short period of time, nothing that will guarantee the longevity of some of these very worthwhile programs.

Mr. Deputy Chairman: Item 5.(a)(1) Salaries \$902,800—pass; (2) Other Expenditures \$280,800—pass; (b) Manitoba Tax Assistance Office: (1) Salaries \$332,800.00.

Mr. Leonard Evans: Just one question, Mr. Deputy Chairman. Can the Minister advise if there has been

any change in the operation of the office or anything different this year than last year and the year before?

Mr. Manness: Not materially, Mr. Deputy Chairman. Of note to Members of the Committee might be an interview I did with somebody representing the CBC program called Venture, which, in doing a major expose I suppose of the goods and services tax, was very intrigued on the system in place in Manitoba with respect to the Tax Assistance Office, particularly now that the federal Government was adopting a sales tax credit system as a major part of the new tax form in support of the GST, wanting to know what assistance might be in place for those to make a proper claim.

Somebody had told him about the system that is in place in Manitoba in support of some of our cost of living tax credits, I guess we call it, property tax credits, and some of the other credits we have. Somebody was holding it up as a model anyway. I know they called me and probably—did they call somebody in the department too? So you may hear more about Manitoba's Tax Assistance Office, maybe some time in December, Sunday night on CBC.

Mr. Leonard Evans: That is fine. I agree with the Minister. I think it is a very unique service and one that helps particular groups of people, some that are having difficulty in filling out their forms and so on. The Minister has answered the question. There has been no change, and I just hope that the office will be able to continue in the years ahead.

* (2110)

Mr. Manness: Mr. Deputy Chairman, if the Members opposite did not request of us to continue to spend more and more money in every other area, it certainly would help to guarantee the longevity of this program. The Members have a lot of the control within their own hands in day-to-day Question Period when they are across the House asking questions.

Mr. Leonard Evans: I would have to remind him that it is his Members and some of his colleagues in Cabinet who keep on getting up bragging about all the money they are spending and how they are doing much more than the NDP Government had done. They are spending more money here, there and everywhere so it works both ways, Mr. Deputy Chairman.

Mr. Deputy Chairman: Item 5.(b) Manitoba Tax Assistance Office (1) Salaries \$332,800—pass; (2) Other Expenditures \$59,400—pass.

Resolution 57: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,575,800 for Finance, Federal-Provincial Relations and Research Division for the financial year ending the 31st day of March, 1991—pass.

We are now dealing with No. 6, Insurance and Risk Management \$1,091,700; (a) Salaries \$164,400.00.

Mr. Leonard Evans: Yes, a similar question, Mr. Deputy Chairman. Can the Minister advise whether there is any change in this office's operations in the past year or is it simply a continuation of what we have experienced for a number of years now in terms of Risk Management and Insurance, various kinds of insurance?

Mr. Manness: Mr. Deputy Chairman, not in its mandate. What has changed is that the Government has entered into an agreement with a consortium of private insurers who are helping us place some of our coverage at a value which we believe represents a saving to the province, when one takes into account premiums plus levels of coverage.

Mr. Leonard Evans: Mr. Deputy Chairman, maybe the Minister can provide me with some information. I presume up till now at least MPIC played some role in the insurance, or was all the insurance given with the private companies? The other point, as the Minister might point out, the Government can insure itself—why in such a big operation that it can provide for its own, in effect provide for its own future contingencies.

Mr. Manness: We did use to lodge the property and liability and of course the Autopac, the car insurance, with MPIC.

An Honourable Member: Is that still the case?

Mr. Manness: That will still be the case, but as far as property and liability we now are using other insurers.

Mr. Leonard Evans: If other than that there has been no substantial change, I would just pass the item, unless the Liberals have some—

Mr. Deputy Chairman: Any questions? 6.(a) Salaries \$164,400—pass; 6.(b) Other Expenditures \$12,300—pass; 6.(c) Insurance Premiums \$1,867,500—pass; 6.(d) Less: Recoverable from Other Appropriations \$952,500—pass.

Resolution 58: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,091,700 for Finance, Insurance and Risk Management for the year ending the 31st day of March, 1991—pass.

7. Treasury Board Secretariat \$2,651,400; (a) Salaries—

Mr. Leonard Evans: Mr. Deputy Chairman, can the Minister tell us what level of expenditures has to come before the Treasury Board now? Has there been any change in that? Can he elaborate on level of controls exercised by the Treasury Board, as its level in expenditure control?

Mr. Manness: \$20.00. This is a hands-on Government, Mr. Deputy Chairman.

(Mr. Eric Stefanson, Acting Chairman, in the Chair)

Mr. Acting Chairman, in its tendered arrangements over \$25,000, that level has to come before Treasury Board.

Mr. Leonard Evans: I would gather then that is a figure or level that has not changed for the last few years.

Mr. Manness: That is correct.

Mr. Leonard Evans: I gather the Minister answered that question. I could not hear him for the statements being made by the Minister of Northern Affairs (Mr. Downey) there, his yeses and noes and passes. You said there were no changes. You agreed or you confirm that there has been no change in the level.

What about your annual fiscal plan and strategy? This is one of the activities of the department, I presume that—could I ask the Minister this question? Is the Government now in the process of developing the fiscal plan for 1991-92?

Mr. Manness: Mr. Acting Chairman, much of that plan or much of the presentation of that was delivered in the budget. Certainly the most key numbers were, where we for once sort of told Manitobans where it was going. We did not say what our bottom line number would be exactly, because of course over the next three months we hope to do a lot of planning to effect that.

The assumptions are that if growth of revenues continue or increase at the rate of 3 percent and if expenditure grows at the rate this year at 5.8, the deficit next year, '91-92, will approach \$450 million. That is the fiscal plan. That is where we begin the whole Estimates process. That detail around that has been presented to Ministers and hopefully will

be presented to managers and deputies in short order and may ultimately—at caucus tonight we were trying to decide whether or not that information maybe should even be shared with Members of the Opposition. We have not made that decision yet. We sensed that everybody should know the state of affairs in this province, so if the Opposition really twisted my arm and I sensed that there was a genuine, sincere desire to see a presentation made in this area, I might be inclined to listen to that.

* (2120)

Mr. Leonard Evans: The Minister's offer is noted. I guess I could say that virtually Government departments, maybe not Ministers, but departments or people, some people in departments, are busy with Estimates preparation forever. I guess this is where it is focused in the Treasury Board.

One other area we briefly touched on was ISSB. I would gather it is in the secretariat now that the ISSB key people are situated, people like Mr. De Luca, who we heard the other night at the Public Utilities Committee, and therefore one of the ongoing functions of the secretariat then, through the ISSB group, is this ongoing problem in ensuring that there is not duplication in the approaches and utilization of computer equipment and other electronic equipment.

Mr. Manness: Well, Mr. Acting Chairman, the short answer to the question is yes, the group in Treasury Board will be taking much more of a control function to ensure that the advent of new technology or of new hardware into the Government is done in an efficient manner and that there is not redundancy and waste.

Mr. Leonard Evans: What about the potential of redundancy and therefore waste, duplication not only between departments, but between departments or among departments and Crown corporations? I am thinking particularly of the Manitoba Telephone System. Does this secretariat, through the ISSB group, have the authority to go into MTS operations and make judgments?

Mr. Manness: Mr. Acting Chairman, one of the great revelations in coming into Government was that we sensed that there really was virtually no control of the Crowns, even though ISSB was in its place.

We have undertaken to rectify that. We have included in the Crown Corporations Council as one of its mandates to liaise between the Crowns and Mr. De Luca's shop. Further to that point, I can

indicate as recently as two or three months ago the Liquor Control Commission, which I am sure at one time would have been free to pretty well move in any type of systems change that it so desired, found that their latest request was stopped by Treasury Board through this transition when the Crown corporation was coming.

Indeed, I guess the short answer to the question is, the Government is very much more involved through either Treasury Board and/or the Crown Corporations Council in what the Crowns are doing with respect to bringing forward new systems.

Mr. Leonard Evans: Yes, it seems to me, Mr. Acting Chairman, that one of the functions that MDS had when it was a Crown corporation, or it seemed to play that role, was to try to ensure that there was not this duplication. I think in order to achieve this, it seems to me that some members, senior people from the Crowns, were on the board of MDS in order to ensure that there was you know adequate discussion, liaison, co-operation rather than competition for acquiring more and more and better equipment.

So can I ask this specifically then: If MTS wishes to acquire some new computer equipment, does it have to get the permission of the Treasury Board, or can it do it on its own?

Mr. Manness: Mr. Acting Chairman, let me tell you when I first saw the first systems plans that were brought forward to Treasury Board—is it called the systems plan?—of all the Government and its entities, I was horrified to see that roughly, as I recall, it was a \$100 million-plus bill.

The Government and all of its departments were spending roughly, as I can recall, \$40-45 million and the rest of it was the Crowns. More significant than that, over the last it seems to me it is either six or eight years, whereas the departments of Government, through more difficult times, through the time of the former Government and ourselves, whereas systems growth on a dollar basis was occurring at the rate of 4 or 5 percent a year.

Crown corporation growth—given the fact that they had representation, the Manitoba Data Services; given that they were all sort of acting as their own checks and balances; given that ISSB was in place, I was horrified to see that the annual growth over that period of time in the dollar value of systems with respect to the revenue stream coming to Manitoba Data Services, it was increasing at the

rate of it seems to me it was 15 percent or 20 percent a year, high double digit.

So nobody can tell me that there were any effective brakes put into place on the Crowns by the existing board of Manitoba Data Services and/or ISSB. I do not believe it was there, whereas in Government, through the Member's term when he was in Government and even when we were there, through the Treasury Board system you had effective controls through the departments. There was control in place, but that did not exist with respect to the Crown.

Mr. Leonard Evans: Just to clarify, is the Minister saying as of now or whenever, that no longer can MTS, just to use them as an example, acquire any type of computer equipment or related equipment without permission of the Treasury Board?

Mr. Manness: Without the permission of the Government formally, and I guess we could say Treasury Board, certainly we will expect Mr. De Luca to pass judgment. His judgment is given considerable weight by the Government.

Mr. Leonard Evans: So there is a formal process whereby MTS has to formally go, say, perhaps to the Minister of Finance or whoever, to the Treasury Board, where the ISSB group is located, and that there is a formal procedure put in place so that permission—and again I do not want to pick on MTS, but it is a good example—must get a written memo or whatever saying that permission is hereby granted or “we agreed that you should acquire X millions of dollars of Y new equipment.”

Mr. Manness: We are still at a point of transition. We have not reached it, and the formal part has not been totally developed yet. What we are working towards is this: Right now, we insist that the capital plans of the Crowns come either before the Treasury Board and/or the Crown Corporations Council. As the Crown Corporations Council reaches its full pace or its full gait, certainly at that time they will become the first screening place, because the Crowns are going to have to lodge their capital expenditure forecast, indeed their plans, with the Crown Corporations Council. No doubt they will be in contact with Mr. De Luca of the Treasury Board, so there will be that type of system in place. I can assure the Member, though, that the Government will know before any Crown adopts a major new application of a system.

Mr. Leonard Evans: I can easily agree with the Minister's objectives. I shared the concerns that he is expressing now about duplication, waste and so on, and I would just urge him to get this nailed down formally. Whether it is done initially through the Crown Corporations Council or without them—maybe it is almost immaterial, but I guess since you established the Council, it is reasonable to include them—you have to make sure that the matter does not fall between the boards, so to speak, in the cracks. You must have a firm procedure put in place, so that nothing happens by way of expenditure and new equipment without a formal approval in whatever way, whether it be a memorandum from the Council or whether it be a directive issued by the Minister of Finance on behalf of the Treasury Board or whatever. With that, I would pass the item.

(Mr. Deputy Chairman in the Chair)

Mr Deputy Chairman: Item 7.(a) Salaries \$2,335,800.—pass.

Item (b) Other Expenditures \$315,600.00.

Mr. Leonard Evans: On that again, just to reconfirm, it is Mr. De Luca's—I should not single him out personally—I mean the ISSB group that is going to be responsible for ensuring that the terms of the contract that the Government has, or the agreement with STM Systems is carried out to the letter, at least with respect to rate charges and related matters.

* (2130)

Mr. Manness: It was one of the first items of business once we knew we were seriously entering into very serious negotiations with STM. We knew we had to have somewhere in Government that expertise to be able to monitor the covenants under the agreement to make sure they were delivered. That is certainly also one of Mr. De Luca's responsibilities. He has three main responsibilities, that is certainly one of the three.

Mr. Deputy Chairman: (b) Other Expenditures, \$315,600—pass.

Resolution 59: RESOLVED that there be granted to Her Majesty a sum not exceeding \$2,651,400 for Finance, Treasury Board Secretariat, for the financial year ending 31st day of March, 1991—pass.

Mr. Manness: Mr. Deputy Chairman, I would be remiss in not introducing Mr. Don Potter and Debra

Woodgate who have provided just incredible service to this Government, and I know Governments before us, with respect to trying to keep the numbers in a presentable form and to protect the Ministry of Finance and I want them to be recognized and to thank them for their efforts.

Mr. Deputy Chairman: And we thank you for your patience. 8. Tax Credit Payments, \$251,000,000.00.

Mr. Leonard Evans: We are talking strictly about an expenditure, we are not talking about staffing or whatever. I was wondering if there are no items shown for Salaries and Other Expenditures, who is responsible for issuing the tax credit payments? You know, doing the calculations, overseeing it and so on. I should know but I have forgotten.

Mr. Manness: Mr. Deputy Chairman, this is one of the areas I would rather have the \$2 million or \$3 million staff cost and keep the money, but we have a situation here where other people provide the service, not the least of which is the federal Government in the Income Tax Branch; secondly, municipal offices with respect to the resident homeowner tax property credit. So, municipalities and the federal Government do a lot of the service with respect to administering this grant; we just write out the cheques.

Mr. Deputy Chairman: 8. Tax Credit Payments, shall the item pass?

Mr. Leonard Evans: Mr. Deputy Chairman, that is very interesting, the fact is we virtually spend no staff money, money on staff salaries, for the expenditure of all these monies, that is we strictly rely on, as the Minister said, the federal Government income tax administration and, to some degree, the municipalities, and no money is spent . . . I guess that has not changed from the past.

Just one last question on this then. Is there anything that the Minister can report by way of any significant changes currently? I think the answer is no, but I am going to ask it anyway in this item.

Mr. Manness: I see \$3 million more being committed to the program this year over last.

Mr. Leonard Evans: Mr. Deputy Chairman, I imagine part of it is inflation, but has he any information to share with us as to why it is almost \$3 million more, or \$2.2 million.

Mr. Manness: Mr. Deputy Chairman, the Member claims that housing starts are dropping way off. This

disproves his argument, because there are new homes, and obviously a significant number of new homes in the province, and that is why we are providing more property tax credit relief.

We shoot down another one of his arguments, but I do not expect him to get up in the House and acknowledge that tomorrow.

Mr. Leonard Evans: Mr. Deputy Chairman, I remind the Honourable Minister there is a difference between housing starts, new construction and existing housing stock.

As long as you have even a minor amount of new housing starts, you add to your stock, so we are talking about the housing stock, not the level of housing starts.

Having made that statement of clarification for the Minister, pass the item.

Mr. Deputy Chairman: Shall the item pass—pass.

Resolution 60: RESOLVED that there be granted to Her Majesty a sum not exceeding \$251,000,000 for Finance, Tax Credit Payments for the financial year ending the 31st day of March, 1991—pass.

We are now going to No. 9, Public Debt (Statutory), \$475,600,000 -(interjection)-

An Honourable Member: I will let Len explain this one.

Mr. Deputy Chairman: Item (a) \$1,112,600,000.00. Shall the item pass?

Mr. Leonard Evans: Mr. Deputy Chairman, if you are not careful, we will discuss this for hours on end instead of a few minutes.

I just remind Honourable Members and the Minister that for liabilities there are also assets, and we have a great number of additional assets in the province.

They are there by way of hospitals and schools and highways and libraries, and you name it, in the public sector, and they are contributing to the quality of life in this province. Let us not lose sight of that.

On this item, I guess the major variable in a way, short of additional borrowing, which I do not expect the Minister—well, the Minister is going to be engaging in additional borrowing, but short of additional unusual borrowing or borrowing that is not planned, I would imagine that the variable here would be the rate of interest.

To that extent, does this branch or this group concern itself with monitoring future rates of interest,

or is that strictly done in the research division? It seems to me that the rate of interest is coming down, so is this the reason why the Minister can show a lower level of public debt interest payments? Pardon me, I guess the interest payments are up. At any rate, can the Minister explain why the figures have changed from 487 to 475 approximately?

Mr. Manness: Mr. Deputy Chairman, first of all, we are in an area that has no vote. As I pointed out in the House the other day, you are looking at a tremendous slug of money without the benefit of receiving any vote, because of course it is a law, and the law says, of all our bills, this bill is paid first.

With respect to the question, we are sort of caught with some good news and some bad news. The good news is that the Canadian dollar, in the context of this item, is so strong that the evaluations and the set aside in support of potential losses is very small as compared to the past; the bad news is that the interest rate is high. As we are renewing and refinancing, certainly we are doing so at a higher rate. We have a little bit larger short-term money; that is at the rate of 12.5 percent, 12.25 percent. We have more short-term money than we otherwise might have, because we are always told that if we wait a few more months the interest rate will be down and we will be able to lock ourselves into some tenure money much below the present 11 percent, 11.25 percent, and one knows the difference between tied into tenure money at 9 percent versus 11 percent is millions and millions of dollars.

So it is a combination of our little bit larger short-term borrowings, a combination of the very high interest rates counterbalanced with the fact that the Canadian dollar is strong, is the reason why the level shows virtually no increase from last year, and a slight decrease.

* (2140)

Mr. Leonard Evans: Mr. Deputy Chairman, as the Minister pointed out, there is no resolution number for it but regardless it is here to be discussed, and I do not intend to belabour this.

I would only reiterate a point I made a week or so ago, and that is, we all want to have as low as possible a debt. Why not? Who wants to have debt if you do not have to have it because it is a drain. But having said that, I cannot help but observe again that the burden of the debt as expressed as interest payments per capita in Manitoba is not out of line

with the other provinces. We are somewhere in the middle.

There are four or five provinces that have a higher interest per capita than Manitoba has and while it would be desirable to have it lower, like many other things, Manitoba is in the middle in terms of the debt burden on this province. So we are not as though we are the worst of all the 10 provinces; that is not the case or at least it was not the case according to the figures we had in the '88 Kostyra Budget.

Mr. Manness: Mr. Deputy Chairman, let me respond to that by saying I think it is a combination of what we have done with some of the surplus revenue that did come in over the first two years of our mandate. We held back on major spending increases, where a lot of other provincial Governments did not. That is reflected in a very much reduced deficit in the '89 and in the '90 years.

Beyond that though, the Member should realize our capacity to tax is very limited. We are at amongst the highest rates. Other provinces if they so wished have room to increase taxes to our levels. Secondly, we have a wage rate in the public sector that is almost the highest in the country when one does certain analyses. So we have some structural concerns of our own which in some respects mask maybe this issue in itself.

I am talking about interest as a percent of revenue or a percent of expenditure. Our real challenges are lying before us. We are locked into right now, because of the legacy of the former Government's borrowings, a \$400 million, \$500 million deficit situation and there is no guarantee that it will stop there, if we do not practise the greatest diligence with respect to our spending.

We sense that increasing taxes is a non-option. There just is not the wealth in Manitoba to attack. We are talking about a gross provincial product of \$22 billion, \$23 billion and \$5 billion flowing into the Government by way of revenues. So we do not have an awful lot more to go after.

The Members may say, well, make the rich, or there is certain wealth out there that is escaping the tax and we should go after it. Mr. Deputy Chairman, all I know is the last taxation measure brought in by the former Government was the 2 percent tax on that income. That hit not only the very wealthy; it also hit the individual at Safeway who packed grocery bags and was earning \$11,000 and \$14,000.00. It hit that person hard, too.

So we are trying to hold this interest cost. We are not going to be able to bring it down significantly in the next two years unless the Canadian dollar appreciates beyond 90 cents, which again would be a tremendous blow to our manufacturing industry, and/or debt or interest rates over the next three, four, five years start to hover at some value 5 percent lower than at present and I do not see that happening at all, Mr. Deputy Chairman.

Mr. Leonard Evans: I appreciate the fact that it is hard to get additional revenue, but I note that we are not the only province that has a flat income tax. I see both Alberta and Saskatchewan also have such taxes. In fact, the last year Saskatchewan has increased theirs from 1.5 percent to 2 percent, bringing them up to the Manitoba level.

I would also comment that if the Minister was really interested in getting down the interest on the debt as much as possible, he could have refrained from putting the \$200 million in the Fiscal Stabilization Fund and he could simply use it to pay off the debt, but he chose not to. He chose to take it out of revenue, in effect, and put it into another fund. So, to that extent, that is inconsistent with his often-stated objective of reducing the debt and the interest on the debt.

Mr. Manness: Mr. Deputy Chairman, I think I have explained that several times that we actually had a small interest saving in doing what we did. But, beyond that, had we shown a surplus like we could have in the first year, 1988-89, we probably could have shown a surplus, not of \$50 million, but I think we made a change, too, with respect to Manitoba Hydro, some of their long-term borrowing, we probably could have shown a surplus of \$100 million.

Another reason that we chose not to was that it would have given credence to the belief that a change of Government could have solved the problem just overnight. It would have said that all the population has to do to correct some of these problems is change the Government and the solution will be right there. The fact then that you would bring down a deficit the year after that that would move back into \$300 million or \$400 million, then it would say, well, the Government had lost, even though it was practicing the very same type of management, its ability to manage.

Mr. Deputy Chairman, as I have said several times, we received an additional \$200 million, \$130

million of it in one lump, purely because the federal Government decided, in my view, that they wanted to prepay some of its past expenses so that it could set a base of expenditure in the past year that was higher than it otherwise should have been so that they could make the present year look better. So they were prepaying a lot of equalization reconciliations.

We then, with our strict accounting, have that problem presented to us. This was never done in the past; this was never done when the strict accounting of the province was developed. I mean, it was not in place; it was unheard of. The federal Government would almost give you two years—not two years, I exaggerate—but a year plus a significant portion, surplus in one year as a major catch-up, and not try to spread it or blend it.

So, Mr. Deputy Chairman, I think in fairness to the process, that one should not be allowed to believe that any Government can turn things around in the course of one budget when it has taken the best part of a decade or more to come into being. I still think it was the right thing to do. I am talking now specifically about setting up the Fiscal Stabilization Fund and trying to even out the flows.

I think we did it the right way in taking it to the Legislature and seeking support, legislative support. Secondly, I think we have been true to our word in saying that we would go into it only during the budgetary process and that we would access it only once a year.

Mr. Leonard Evans: Well, I would remind the Minister, and perhaps he does not need any reminding, that the other reason why he was able to have monies for fiscal stabilization was the fact that the rates of taxation were increased in the previous couple of years to provide that additional flow. We pay the political price for it, I might add, as the Minister knows, but you benefitted from it.

At any rate, what I want to ask the Minister is whether he sees the Fiscal Stabilization Fund continuing on indefinitely. Because of his statements of having to draw out, he suggests in his budget speech that even if he utilized pretty well all the money in the fiscal stabilization fund, there would still be large deficits, et cetera, does he envisage, in the near future, the Fiscal Stabilization Fund becoming nil?

Mr. Manness: Mr. Deputy Chairman, I envisage where it is going to be drawn down, not to nil. I

believe it has a very, very important role to play in the context of the Manitoba budget, indeed, in the presentation of our fiscal position. I say that because of the strict accounting system that we have in place, because deficits are so important to me and their minimization are important to me, that I think a proper reflection over a year or two is more important than this wild gyration as a result of transfers or activities outside of your jurisdiction.

So the answer is I certainly see that the Fiscal Stabilization Fund will be with us in concept. It will have significant monies in it. I think it is the proper place to lodge the disposition of any hard asset. I just see it as a good piece of legislation and a good tool to have in place.

Mr. Deputy Chairman, what Saskatchewan did the same year that we received that windfall, in the minds of some, to use the word advisedly from Ottawa, Saskatchewan also as a new recipient province, had significant additional revenues come in unexpectedly. What Saskatchewan did was that they ordered their Liquor Control Commission to hold the dividends for a whole year, to not pay those dividends to the Government because again they too were caught with this problem. They wanted to even out the flows.

* (2150)

Mr. Deputy Chairman, our accounting—the strictest anywhere in Canada and rightfully so—did not ever foresee when you might have these revenue problems. I say that advisedly because it was a nice problem to have. So in my mind I see the wisdom of having this tool and this vehicle. It will not be drawn down. It has the shares of Repap which have real value to them, not cash value today, but have real value.

Consequently, it is the best place to lodge those shares. Otherwise, when they do take on value in let us say six or seven years who should be the beneficiary. Under the present accounting system, they would pretty well have to go into the income, extraordinary income of that year. That is not fair. That is not fair to those Manitobans, indeed the Government of the Day that was involved in the disposition or the sale of Manfor to Repap. To me, it is a perfect place to lodge the value of those shares. I expect it will be in place—meaning the fund will be in place—for several years.

Mr. Leonard Evans: Can the Minister tell us whether a Fiscal Stabilization Fund or some

counterpart thereof is being utilized by other provincial Governments in this country?

Mr. Manness: Well, I think we all know the Heritage Fund in Alberta exists, and of course in B.C. they have a fund somewhat similar, although it seems to me it does not have the constraints of entry that our fund does.

Mr. Leonard Evans: Okay, pass.

Mr. Deputy Chairman: We will move on to item 10. There is no vote on item 9.

Item 10 is Expenditures Related To Capital, \$1,300,000 on (a)—

Mr. Leonard Evans: Mr. Deputy Chairman, can the Minister explain what is involved here, what kind of physical assets we are talking about?

Mr. Manness: Mr. Deputy Chairman, as I indicated the other day, the lion's share of this is with respect to the Wang agreement where Manitoba Data Services funded the acquisition of the Wang hardware. There is a repayment schedule in place. This is the area in Government where that is displayed. The payment schedule for Manitoba Data Services to Wang calls for 45 percent when installed and running, 45 percent user acceptance, 10 percent final acceptance. We are paying our portion over five years in support of that \$4.1 million purchase.

Mr. Leonard Evans: Pass.

Mr. Reg Alcock (Osborne): I just have a procedural question. If we pass the expenditures related to capital, then do we move on to the Minister's salary?

Mr. Deputy Chairman: That is correct.

Mr. Alcock: Okay. I would just ask the Minister then if he recalls our discussion at the beginning of the Estimates that we would move back into some items on that. Okay, pass.

Mr. Deputy Chairman: Item 10, Expenditures Related To Capital \$1,300,000—pass.

Resolution 61: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,300,000 for Finance, Expenditures Related to Capital for the financial year ending the 31st day of March, 1991—pass.

The last item to be considered for the Estimates of the Department of Finance is item No. 1.(a) Minister's Salary \$20,600.00. At this point we request that the Minister's staff leave the table for the consideration of this item. Shall the item pass?

Mr. Alcock: I would like to start back, if I can a little bit, on the Fiscal Stabilization Fund. I would just like to get some factual information from the Minister first, if I can.

I listened to the discussion that took place with the Member for Brandon East (Mr. Leonard Evans), but can we just walk through some of the numbers that are involved? When the fund was originally set up, it was set up with \$200 million. Then there was an interest allocation of some \$25 million, as I recall.

Mr. Manness: Mr. Deputy Chairman, that amounted over -(interjection)- that is right, for after the period of the time the fund was set up until the beginning of the next fiscal year. Was it \$22 million? I have numbers coming to me.

Mr. Deputy Chairman, as pointed out in the budget, page 12, \$200 million in '89-90, April 1, interest earnings of \$25 million, then of course the Repap shares were transferred in—\$303 million. I guess that answers the question.

Mr. Alcock: That interest payment of \$25 million, over what period of time was that accrued?

Mr. Manness: Mr. Deputy Chairman, it is the interest for the full '89-90 fiscal year.

Mr. Alcock: At what rate?

Mr. Manness: Mr. Deputy Chairman, 12.5 percent.

Mr. Alcock: From what source?

Mr. Manness: From short-term investments, mostly—Mr. Deputy Chairman, it is invested through trust in our temporary investment. I think some of it is in guaranteed investment certificates, and a goodly portion of it would be in Treasury Bills.

Mr. Alcock: So at the end of the year we have \$303 million in the fund. I would presume that the Repap shares got transferred in that at the end of the fiscal year, so there was no accrual of interest on—of course, there would be no interest because there is no cash attached to those shares.

Mr. Manness: Mr. Deputy Chairman, because there is no cash, there was no interest earning on it. I must say this is a present value of what we deem the value of those shares to be. Consequently, that takes into account their interest-earning ability during the period that the time is moving on to their ultimate redemption and therefore their ultimate cash value.

Mr. Alcock: Did the Minister indicate then that he believes those shares are increasing in value at the present time?

Mr. Manness: Mr. Deputy Chairman, \$78 million is the present value of the redemption. These are dividend bearing, and the dividends would be in addition to the \$78 million once they start to flow.

Mr. Alcock: When will they start to flow?

* (2200)

Mr. Manness: Mr. Deputy Chairman, from memory, and probably Mr. Bessey should be with me, but from memory, 1995-96, in that time frame. Again though it is dependent on when the interest clock begins to run and that is dependent on when we receive the final environmental licences, in this case, from the federal and the provincial Governments with respect to phase two.

Mr. Alcock: Then the \$78 million that is shown as the value of the Repap shares in that fund is not at the current time accruing either interest or paying any dividends.

Mr. Manness: It certainly is not paying dividends. I was a little in error here; I sort of thought it was the present value taking into account the dividends which may ultimately begin to flow, but Mr. Rosenhek, the comptroller, tells me that is not the case.

Mr. Alcock: The \$32 million in interest earnings that are coming in 1990-91 is coming from the investment of \$174 million in cash?

Mr. Manness: Mr. Deputy Chairman, it is on the full cash, because these earnings—the transfer of \$100 million out will not occur until the end of the fiscal year, and also the \$17 million, MDS cash proceeds have been in since summer, since August. It is the interest accrued on all the cash items.

Mr. Alcock: Then is that \$274 million?

Mr. Manness: It is the \$303 million less \$78 million plus the \$17 million.

Mr. Alcock: Plus \$17 million, which totals?

Mr. Deputy Chairman: We do not have a calculator here.

Mr. Alcock: Theoretically we have a person who has all those tables sitting in front of him.

Mr. Deputy Chairman: He does not have that.

Mr. Alcock: Well, then get it.

Mr. Manness: It is the interest run on the \$242 million.

Mr. Alcock: At what rate?

Mr. Manness: I do not have that number with me, but it seems to me that the value was certainly at the same level. As a matter of fact some of it may have been taken out for a little bit longer term at a higher rate. It seems to me that the bulk of the money is around 13—certainly at 13 percent or beyond.

Mr. Alcock: It would have to be to meet that level. The Minister indicated that there had been some net earnings in I believe interest payments from moving to the front as opposed to simply paying off debt with the funds that were available. How much, and can he walk me through how that occurred?

Mr. Manness: At the time we did not have significant short-term borrowings. We were very fortunate in that respect and so if we wanted to retire at \$200 million worth of debt we would have had to prepay some of our long-term debt. When I say long-term, we would have had to have prepaid some of our 10-year issues. I do not think we had any five or six year calls coming in on 10-year issues, so because we did not have any debt coming due, it was pretty hard to pay when that money did come in, to pay down debt. Had we decided to pay down debt that came due, Mr. Deputy Chairman, that was debt that was probably in the area of 7 percent or 8 percent.

We refinanced it. We were able to get long-term money at that point in time in U.S. terms at around 8.75 percent, 9 percent. So the decision we had to make was whether or not to enter into the market and borrow at the 9 percent when we indeed could take these earnings and earn 13. What we did ultimately decide to do is we did borrow at those rates at the full value of borrowings that we needed, full refinancings, and ultimately took these proceeds and invested them at a higher level.

Mr. Deputy Chairman: Order, please. Honourable Members, I am having a little trouble hearing here.

Mr. Alcock: So when you moved from a net positive of whatever it was, \$48 million or \$52 million—let us assume it was that for the sake of the discussion—to a deficit in the \$150 million range, how did you finance that deficit?

Mr. Manness: Mr. Deputy Chairman, that was very subjective. I am trying to recall if there was anything more behind it. We just sensed that we had \$200 million because of a number of sources, more than we were planning on. At that time we also entered into a \$50 million deal with Manitoba Hydro whereby we removed them from their liability in some of the

currencies that they were in. That left us with \$50 million surplus. At that time we decided to make the straight \$200 million transfer as a combination of unexpected revenues from two sources, mining and reconciliation of past estimates of equalization payments.

Mr. Alcock: It is interesting. I had not heard the Minister explain that further rationale for building the fund, sending a message to the public. I thought that was an interesting argument.

In creating this fund, you created on paper, in any event, a deficit in the order of \$150 million. How was that deficit financed?

Mr. Manness: Mr. Deputy Chairman, that deficit was financed through borrowing 10-year money at 9 percent.

Mr. Alcock: So that cost us—?

Mr. Manness: Well, Mr. Deputy Chairman, the Member can do his own figuring.

Mr. Alcock: It must be getting late. -(interjection)- Thank you. I appreciate that from the Member for Pembina (Mr. Orchard).

Let me just move on to the next one then, HydroBonds. Can we talk about HydroBonds for a minute? There have been two—

Mr. Deputy Chairman: If the Honourable Member does not mind, I think we will just come over and get Mr. Evans. He had just a couple of points, and we will come back to you. Is that all right? Give you a breather?

Mr. Alcock: What do you want to do? It does not make any difference to me.

Mr. Deputy Chairman: Go ahead.

Mr. Alcock: Okay, if we can come on to the HydroBonds for a minute, you had two offerings of HydroBonds. The first one raised three hundred and—?

Mr. Manness: Net \$308 million or \$309 million.

* (2210)

Mr. Alcock: When you say "net," explain that to me.

Mr. Manness: It means that \$312 million were provided in purchases by Manitobans and once the expenses around commissions were deducted, I ended up with roughly \$309 million.

Mr. Alcock: Which paid 11.25?

Mr. Manness: That is correct; 11.25 percent.

Mr. Alcock: Can you break out those expenses for me, please?

Mr. Manness: Well, Mr. Deputy Chairman, this is the wrong committee, because it was Hydro's count, but it seems to me that the commissions were in the area of 0.9 percent all in, so then obviously there is roughly \$3 million of that issue that went into the investment community in the form of commissions.

Mr. Alcock: Would that \$3 million in expenses include brokerage fees and the amount paid to Pemberton for coming forward with the idea in establishing the program and the advertising? Would it cover all of those?

Mr. Manness: Mr. Deputy Chairman, it would have been paid to Pemberton. I am a little vague now as to the process, but certainly for them to of course direct to the 25 groups of bankers, credit unions, trust companies and everybody else in the investment business who is selling these HydroBonds. So if they, for instance, if the Royal Bank sold \$25 million worth, they achieved a fee of 1 percent, a quarter of a million dollars, and so included in that was the advertising and everything else, yes.

Mr. Alcock: Pemberton paid for the advertising?

Mr. Manness: To the best of my recall, they did. I know the value of the advertising was significant and I am pretty sure we paid it to Pemberton because they were the managing agent and it was up to them to secure the advertising. That was their role. If I am wrong, I certainly will attempt to correct the record tomorrow.

Mr. Alcock: Is the Minister suggesting that the hydro committee on Thursday morning would be a more appropriate place to raise this?

Mr. Manness: I consider this appropriate, too. Certainly though they might be prepared. If my Treasury people were here, if a representative of the Treasury branch was here, I could tell the Member all of those questions, I could provide him all those questions.

Mr. Alcock: Well, would the Minister undertake then to provide me with a detailed break-out of the expenses for the two years?

Mr. Manness: Mr. Deputy Chairman, I would be more than delighted to do so.

Mr. Alcock: Does the Minister know, from memory or from staff here, what the effective rate of interest was on that first offering, the cost to the province

then, taking in that additional \$3 million in expenditure?

Mr. Manness: The effective rate was still very close to 11.25. It had not changed very much, because only 2 or, well, 3 percent—no, 1 percent, pardon me. Not 3 percent—\$3 million—1 percent. Roughly that all in costs it was a little over 1 percent.

Mr. Alcock: So would I be correct in saying that 1 percent on top of 11.25?

Mr. Manness: No, you would be completely wrong. One one-hundredth on top of 11.25.

Mr. Alcock: Right. Okay. On revenue, we talked about revenue—well, let me finish off with the HydroBonds, although this may be better for Thursday. If you are borrowing in the U.S. at 8.75 or 9 percent, why are they offering for 11.25 here?

Mr. Manness: Mr. Deputy Chairman, for two or three reasons. Firstly, no foreign exchange risk; secondly, because we sensed it was important that Manitobans realized that it was important to invest in their province; thirdly, they could not invest in their province unless there was a vehicle to do so, and up to this point provincial savings certificates were going nowhere fast. They just brought in virtually no revenue. Fourthly, other provinces had done these types of issues with incredible success.

All in all, I think we were more than justified in providing an opportunity for Manitobans to invest within their own province.

Mr. Alcock: At a cost of about 3 percent, 2.5 percent?

Mr. Manness: Probably at a cost of 2.25 percent more than it would have cost us to do a risky borrowing in U.S. dollars.

Mr. Alcock: A risky borrowing that you are continuing to do?

Mr. Manness: Mr. Deputy Chairman, that is because we cannot secure all the money we want in Canada. I have made this comment over and over again. It would be wonderful if we could, but we cannot.

Mr. Alcock: Another issue that arose when the Minister was in Opposition, and certainly arose in the one meeting of Public Accounts that we had in the previous Session, was the question of unfunded pension liabilities. Does the Minister want to tell us what is happening with that right now?

Mr. Manness: I did not realize that the Member was so inclined to want to read comments that I put on

the record when I was sitting in his chair. If I had thought of that I may have tried to find the time to have reread what I had stated in the past.

Let me say, with respect to the unfunded pension liability, it continues to be a thorn in the side of Governments everywhere.

Let me indicate that I brought the subject up now on one occasion and again it is on a list of items to be discussed with the Ministers of Finance. I am not really getting too far with being able to convince other jurisdictions. It should be recognized and, therefore, recorded as such so we are still dialoguing amongst other jurisdictions.

Mr. Alcock: When this was discussed at Public Accounts before—oh, by the way, if the Minister would like a copy of his remarks, I could give him an annotated copy of everything he has said since he came into the House, but failing that—when the Minister discussed this before, he said one of the concerns he had was for Manitoba to go it alone, and I wonder if he could tell us what the nature of that concern is?

Mr. Manness: Well, if we recorded our unfunded liabilities, it seems to me that is now moving into the \$1.1 billion range, if not \$1.2 billion. If you put an interest rate, if that money all had to be borrowed, because as soon as you record it you have to begin to reflect on the bottom line, our, of course, bottom line number would change by \$100 million to \$120 million, and quickly.

Now that would be fine if everybody moved in concert, all the provinces legitimately moved in concert, and dealt with it such that one province—the accounting systems were the same.

Right now in Canada we have the strictest accounting system going. There is none stricter. We reflect capital. We amortize probably less capital than any other jurisdiction. We reflect Crown corporation losses right to the—if they do not have the ability, through rates, to increase their rates to offset a loss, we reflect that on our books. I do not think that happens elsewhere. I am sure it does not. So we are consolidated. We are moving quickly along on consolidating.

I defy any person to tell me where the accounting is as strict as it is in this province, and I am proud of that. I think all legislators, regardless of what political stripe they have, are proud of that.

To impose upon that to being the first ones out to reflect our unfunded pension liabilities, to me, is too

unfair, because then we will be weighed in the context of other provinces by the rating agencies who will say, well, why can you not do this; why can you not do that, as compared to others, and I think we will pay a price for that. So I would like to see us move in concert.

Mr. Alcock: The Minister and his staff know more about this than I, but when I examined this issue earlier, when you go to the markets to borrow and the Auditor prepares a statement to accompany those borrowings, this liability is mentioned in that statement, so it is not as though the market is not aware of this fact.

I am not certain as to how that then alters their rating of us, being fully aware of that information at the current time.

* (2220)

Mr. Manness: Mr. Deputy Chairman, the Member is right. That information is fully displayed, recorded and it is duly noted, but whenever I engage myself in conversation with representatives from rating agencies, they always focus too on the bottom line, the recorded budgetary deficit, and when they talk in terms of comparisons, that is what is always focused on. I do not know why it is, but it is.

Sure, they are aware. The information is presented to them. If they do any digging at all, and I know they do, they are well aware of the unfunded liability.

Mr. Alcock: Yes, in the statements I read, it is stated rather clearly that exists. Are there ongoing discussions with the provinces about making that change?

Mr. Manness: Not to the same extent that I would like. When I have brought it up in private and in formal discussion, it receives pretty short attention.

Mr. Alcock: The genesis of the discussion came from a recommendation from the Association of Public—

Mr. Manness: Public Sector Accounting and Auditing Committee, PSAC for short. Yes, certainly my deputy was a former chairman of that group.

Mr. Alcock: Did they not also make recommendations or begin work on the question of the amortization of capital?

Mr. Manness: They have released nothing. They are still studying.

Mr. Alcock: Is it likely that we will move where they have in some jurisdictions to a point where we will begin to amortize capital?

Mr. Manness: As the Member knows, the Provincial Auditor has pushed for this for some period of time. It probably comes as no revelation to this committee, I for one am not supportive of that, and I have no difficulty saying so.

Unless somebody can convince the Government that a different approach should be taken, I for one will not push for it. As a matter of fact I am prepared to continue to say publicly why it is I disagree with the Provincial Auditor. I can see it as a short-term benefit. To me it might as well be a light year away from the reality of a corporation which has a legitimate use of an amortization on capital depreciation, a schedule form.

We in a public policy sense will be very tempted to amortize a lot of things. I understand for instance, if you read the record I was horrified to find that the State of New York one time was contemplating the use of amortizing the cost of education because they said it was a tremendous investment in the future. Well, of course it is an investment in the future. Who could possibly argue with that? How would you dare amortize the cost associating with this year's Education Bill?—and that is the pressure that comes to bear when you are preparing budgets. It is the worst form of manipulation and I say that ultimately that is where it leads if you are not prepared to deal with this capital and this amortization issue with great care.

Mr. Alcock: Surely there is some distance between amortizing the cost of an illusory good in a sense, a non-durable good like education versus hard items, hard capital. I believe, if I recall the discussions that took place with the Auditor that was what their recommendations were directed at.

Mr. Manness: Mr. Deputy Chairman, certainly we can understand the tangible difference, but I would argue, for instance during times of Government's having to react and having to deal with discretionary spending because the revenues do not come in, unless Auditors and indeed those proponents of that system can guarantee a revenue stream that will be there year after year, then what we are saying to the Government of the Day—and to use an example, the Department of Health, their capital budget last year \$250 million roughly. If we had not spent a dollar in that department, there still would have been

a capital line expenditure of \$25 million, or I forget what the number is. Maybe it is much higher than that.

In the area of education, I think we built schools and had a capital program last year of around \$25-30 million. If we decide this year that we cannot afford to build any new schools it will not help the budget at all because there will be a requirement there because of the amortization system of \$25 million. Because Governments in the past have decided to build then and pay later.

I submit, Mr. Deputy Chairman, that you will need new schools and you will need new health facilities every year. You will never get away from them. So why would you not expense them? Pay for them the year they are built because you know for sure the next year you are going to have to build some again. Then the year comes along when the revenue is not there, and if you cannot sustain the building because the revenue is not in place, then cut back on the expenditure and at least you will leave your deficit somewhere close to balance. The way we do it now, revenues drop, if you decide not to continue your capital building you have no saving on the bottom line, absolutely none.

So to me it is completely different from a business that builds that factory once in 20 years and makes it last or a homeowner that builds his home or buys a home once in a lifetime. Two different issues, because Government as long as we are here—we meaning all of us—will always need more money for our health facilities, more money for education facilities, more money for highways—highways though we do expense.

Mr. Alcock: Why then does the—and maybe this is too speculative. I am interested in the issue. Why are the auditors moving in this direction then?

Mr. Manness: Well, Mr. Deputy Chairman, the reason I think that Provincial Auditors are pushing for this is because they like to see it as an offset against the liabilities, particularly in the pension area. So what auditors seem to be saying is, okay, we know you have an unrecorded pension liability, that once you record you have to begin to find the funds and support a funding, and as an offset against that maybe you should recognize there are a bunch of assets out there that you are not reflecting, and if you did reflect the cost of building and amortizing that over a period of time maybe that now would represent a drop in the deficit that was

going to increase as a result of reflecting the liabilities of the unfunded pension liabilities.

I say I do not know—what assets are we missing? Well right now we are missing highways. We are not amortizing highways, we are not amortizing Government buildings, we are not amortizing parks, some minor sewer and water infrastructure, we are not amortizing that.

Mr. Alcock: Perhaps I misunderstood that. We are amortizing some schools and hospitals then.

* (2230)

Mr. Manness: Mr. Deputy Chairman, we are amortizing schools and hospitals.

Mr. Alcock: Another area of questioning that I was interested in—the Minister's remarks just about the size of the debt and the amount of borrowing that needs to be done and the concern he expressed rather eloquently both in the budget speech and then again here about the number of provinces that are going to be going to the financial markets for—I think he gave a figure of some \$10 billion—in the next year, just from the—

Mr. Manness: Five months.

Mr. Alcock:—next five months, just on the part of provinces. Then presumably the federal Government will be going back for another \$30-some billion. That is a fair assessment of that.

He expressed concern about how long this could go on, what sort of problem that was going to create in the financial markets along with interest rates and all those kinds of things.

This Government was elected in part to control expenditures and to reduce the level of debt and public expense. You have taken a fairly cautious, fairly careful approach to it. I am just curious about it.

Why are you spending anything on capital at a time when you are running a deficit if your goal is to reduce the amount of borrowing you have to do, other than to the essential repairs and replacements?

Mr. Manness: Mr. Deputy Chairman, we continue to build health and education facilities, firstly, because we need them desperately. Secondly, there is still an economic benefit to the construction industry and therefore the economy as a whole if you continue to build. Thirdly, if you stop building, when times change you may not have the infrastructure there to build and to give you

competitive bids. Fourthly, if you do not build for two or three years you have such a backlog then you never do catch up. You continue to find capital dollars to build—and I am talking now about health care and education facilities.

When you are talking about highways you have an added incentive to continue to build because there is just no greater response in an employment sense. I mean, you just see it anywhere you build a road. It is short-term work for a lot. It is hard work. It is not great hourly per pay work but it is work. It is cash. Nobody can argue the benefits of road construction. So that is why we continue to build.

Mr. Alcock: When we discussed this in the past—and I recall a discussion actually during the election on one of the radio programs that we seem to meet on. When we talked about the long-term meeting of revenue and expenditure, the Minister spoke about annual gains in revenue that had just come about because of growth in population, a sort of inflationary growth in revenue, and that if there was an ability to keep expenditures down below a certain level, at some point the two would balance. Can the Minister tell us when he anticipates that happening, or how he anticipates that coming about?

Mr. Manness: Mr. Deputy Chairman, as I have said in the budget, I expect the next two years to be very difficult. I see where there will be possibly an increase in the deficit if we are not diligent in our planning over the next three months.

Beyond that, I still believe that the plan that we have embarked upon—and believe me it is a plan. Some Members like to make fun and say that we have no great plan in effect. I mean, part of the plan was we saw what we are into now. We saw it coming two years ago and it was one of the reasons we set up the Fiscal Stabilization Fund. It was one of the reasons why we did not balance the budget like we could have in our very first budget because we knew what was coming. We just did not, at any time, want to lead Manitobans on to believe that because they had elected a Conservative Government that good times were here because that was not the truth.

I think we have been very diligent through our planning over the two or three years not to raise expectations unnecessarily, to work towards trying to moderate the growth and expenditures and most importantly, withholding tax increases.

In my view, that is starting to pay dividends. I am not going to boast loudly that we have the lowest rate of unemployment in the nation but we do. It is still too high. The number that came out a few days ago is probably unrealistic but still the trend is the right way. That says a lot about this province. It says a lot about our business people, but it also says something about this Government over the last two and a half years. It says that in the minds of most they have the ability to take us through these difficult times.

To that end, Mr. Deputy Chairman, I want to indicate that people outside of our province are taking note of the stewardship of this province. There are jobs that are coming here very silently. I could tell you who they are, but I will not, because they are silently coming here from other provinces. Once other provinces realize they are losing it to Manitoba, there will be outcry there.

Part of the reason why the statistics are staying favourable is that this silent movement of jobs to this province is continuing, not in thunderous herds; I do not say that people are coming here in legions, because they are not. Nevertheless, people are coming to this province and taking note. With the changes that we are making in telecommunications policy, with respect to our MDS divestiture, I believe that two years of sound decision-making will put this province in a good growth position starting in late 1992, and the revenues emanating from that will be reflected in significant fashion as early as '93-94.

Mr. Alcock: Actually the Minister reminds me of something that I meant to mention earlier, and it is true, we have the lowest rate of unemployment in the country. I think that to the extent to which the Government is responsible for that, the Government is to be congratulated on that. I mean I am quick to point out when it is the other way. I was pleased for the province to see that it in fact was much more positive than it has been.

The Minister talked about two movements when we debated this before. One was the holding of expenditures to some point below the rate of growth of revenue so that at some point down the road we would see the budget come into balance. The Minister has indicated that he has a plan. When are we likely to see that balance occur?

Mr. Manness: I cannot give an answer to that question, because the decision-making that we bring to bear over the next two years will ultimately

be critical. If we do not arrest this divergence as between expenditure and revenues in the context of the next two budgets, I am of the view that this province will be structurally tied to a deficit that will continue to grow at a very significant rate.

* (2240)

I say to him that he can help us if he wishes by asking his colleagues to be very careful of the demands they put on the Government to spend more, because of course this is key to everything, and help us deal with the problems associated with the public sector wage package, and help us deal with the problems of trying to hold the line on taxation. I mean there is no magic formula at work here. There is no magician that can pull a rabbit out of a hat. We are not going to benefit because of \$35 or \$40 a barrel of oil. We are not going to benefit with pulp going up to \$600, or \$700, or \$800 a ton immediately. We are not going to profit, certainly, with \$3, \$4 wheat.

So, Mr. Deputy Chairman, we do not have any upward surprises in a wealth-generating sector that is going to provide incredible revenues. Certainly, the mining industry is one exception. Of course, faith springs eternal with respect to what the mining industry could do in this province in years to come. To that end, Government is going to be challenged to find ways and means of providing greater incentives to continue to explore that great shield that is in place, to see come forth the mineral wealth and seeing it explored.

Mr. Alcock: I felt for a moment there the Minister was beginning to launch into song about this great shield.

What is the Minister's projection for annual rate of increase of revenue for the next couple of years?

Mr. Manness: Well, Mr. Deputy Chairman, in the budget I think we said 3 percent in '91. I think we took an optimistic 5 percent growth in '92-93.

Mr. Alcock: What rate of growth has to occur in expenditures in order to be on the Minister's plan?

Mr. Manness: Well, Mr. Deputy Chairman, the Member is now beginning to ask me to share some of the budgetary information with respect to 1991-92. I know he would not want to see me impeached and see me having to resign because I provided too much information at this point in time.

Mr. Alcock: No, I certainly would regret seeing that occur. At the same time though the Minister has

spoken about having a plan. Without divulging secrets, can he give us some sense of comfort as to when we are going to see some movement that will begin to bring expending? The average rate in growth of expenditure right now is?

Mr. Manness: 5.8 percent.

Mr. Alcock: When will we see that 5.8 percent and that 3 percent come a little closer together?

Mr. Manness: Well, Mr. Deputy Chairman, the very essence of the budget document was to say that unless they came together soon like, we are talking about '91-92, we were not going to be, as a Government, providing a great solution to that problem. That becomes a challenge of this Government to the very heavy planning that will begin immediately upon this Session being completed.

Mr. Alcock: Well, we talk about revenue for a moment. There has been discussion off and on in the House about a minimum corporate tax. Has the Minister examined this?

Mr. Manness: Mr. Deputy Chairman, the minimum corporate tax, in all honesty, no. I know enough about the arrangement that we have with the federal Government that they would have to take the lead on it or otherwise I would have to somehow append it to already an unwieldy tax form in the form of yet another schedule. I do not know whether I have the flexibility. I know I have to ask Ottawa with respect to any changes. Secondly, I do not know how it is that if we apply the minimum corporate tax selectively in a Manitoba context, how that would help the economic development plan if we were out of step with other provinces.

Mr. Alcock: Yet there was some discussion of this during the election and in the House the other day, that I understood the Minister to concur with the value in moving in that direction, or perhaps it was the Premier.

Mr. Manness: Mr. Deputy Chairman, we have no problem with that, but the lead for that has to come from Ottawa, by all means, for strong supporters of that system, although I am led to believe that there is basically a minimum in place now, or at least coming into place in Canada. Is that right? I am looking at Ewald for some sound advice.

Mr. Deputy Chairman, I stand to be corrected. On the federal side there is yet no minimum on the corporations although many of the exemptions that used to be in place have been removed.

Provincially, the Member asked the question with respect to a provincial minimum corporation tax. We have almost something similar in place. We have the corporation capital tax which is a tax without reference to net income. Of course that is strongly resisted and resented by many of our corporate citizens.

Mr. Alcock: There is discussion and the NDP will from time to time raise it at various sessions we have been at. In fact it came up several times during the debates we had during the election, the existence of exemptions and such that mean that large corporations do not pay a tax, where they talk about an unpaid tax bill of some \$28 million or \$30 million.

When we examined that, it was difficult to determine what proportion of that was unpaid taxes by small businesses and particularly farm corporations that were in financial difficulty. Has the Minister or staff had an opportunity to look at that and to detail just what the makeup of that bill is?

Mr. Manness: Mr. Deputy Chairman, I ask for clarification. Was that \$28 million in a provincial sense or \$28 billion in a national sense?

Mr. Alcock: National sense, \$28 million.

Mr. Manness: Mr. Deputy Chairman, I know that unpaid taxes are not foregone or forgiven taxes. They are deferred taxes. I listen to the NDP argument. I am saying, well, who is the beneficiary of those unpaid taxes? I mean what is happening as a result?

From my simplistic view I know that as long as that money is not leaving the country, that it is here employing people, in many cases it is being put back to work as far as new investment. Almost all of it I think is being reinvested. Much of it is being reinvested into plant expansion, it is creating wealth and it is employing people.

Mr. Deputy Chairman, for the NDP to make this simplistic argument that there are those who are not paying taxes, there is no argument that there are large corporations today in Canada who are not paying taxes today, but that tax liability is just being pushed off into the future. The beneficiary of those corporations not paying the tax today is the people that they employ, firstly. If they did pay the tax bill then the Government would be the net beneficiary and ultimately, what would they do with their money? Would they, therefore, have less need to borrow from those of us who have money to invest

in Canada Savings Bonds, or would they go out and increase programming?

An Honourable Member: What if they take the profits from—

Mr. Deputy Chairman: Order, please; order, please.

Mr. Manness: Mr. Deputy Chairman, I mean this can become a circuitous argument. Now the Member says, well, what happens to their taking those profits? And they are taken to the United States. A lot of that has happened but the tax is still payable, in Canadian dollars, some time in the future. They are not escaping tax.

I am not happy that some of them may be taking the profits and leaving the country and neither am I happy that \$500 million of the \$540 million we are paying in interest, virtually \$400 million of it leaves the country.

* (2250)

I am not happy about that either, but the point being those firms that take their profits and leave here, there still is tax payable on those earnings and the question is: should they be paying those taxes today, or should they be allowed to defer them into the future?

What they are doing now, no differently than everyone of us around this table probably, that is taking our income and deferring it through double RRSPs. So when we point at the corporations and want to perpetuate the myth of the corporate-welfare bums, like the NDP are wanting to do, let us be mindful that the greatest people who are avoiding taxes are the individuals like yourself and myself who are contributing to double RRSPs. Indeed we are the people who are not paying our taxes.

Mr. Alcock: I am always a little confounded by this argument because I am aware of others who make considerably more income than I do pay considerably less tax. So I think if there is any substance to the NDP argument, it is that two things are occurring: Those who have a greater capacity to earn are paying less than what would be traditionally considered their fair share of the bill for those services; and that there is a shift in the nature of wealth in the country, that it is moving increasingly to those that have. That seems to be the substantive argument.

Mr. Manness: Mr. Deputy Chairman, nobody can argue that on the corporate side there are plenty of

examples of people making big earnings in a year and not paying tax, but that is purely as a result, in most cases, of a very healthy corporation or of a capital cost allowance which of course is accrued because the company has either taken surplus cash flow and bought an asset and/or borrowed.

The other reason could be losses from previous years, and our tax laws allow for that as a deduction against present year earnings. So those are mainly the reasons why some corporations, in years of very good net revenues, end up paying no tax.

I can indicate a case in point, Mr. Deputy Chairman, Repap Enterprises, or at least their subsidiaries, had cash flow in the area of \$2 billion, net revenues before interest of maybe several hundreds of millions of dollars, after interest, still several tens of millions of dollars, but by the time they applied previous years' losses and/or filed their capital cost allowances against that, I am sure they did not pay very much income tax.

Mr. Alcock: It strikes me though that we are now, and have been for the last decade, moving in the wrong direction in terms of the distribution of wealth in the country, that the Economic Council of Canada recently came out with a study that suggested that those of greater-than-average wealth have increased dramatically; that those with less-than-average wealth—I mean those on the bottom quintile—have increased in size, lost ground; and that the middle-income group has shrunk dramatically in terms of its range. In a sense, through Government taxation policy—I am not holding the Minister accountable for this—it just strikes me that if Government has a role to play in providing some equity in the community, that we are failing at that and we have been failing for some time in this decade.

Mr. Manness: Mr. Deputy Chairman, I agree with the Member's viewpoint as to what has happened; I cannot disagree at all. But to say that we should levy a much higher tax on those that earn more, I think all we have to do is look out into the world and see what has happened; it just does not seem to work. It does not work in democratically elected countries, and it certainly does not work in non-democratic countries.

So I guess we use the events around us as we look into other countries that have much higher rates of taxation and it just does not work. Incentive is destroyed, black markets are set up, massive tax

evasion, and the Members can point—some like to point to Sweden. You can see the massive reform that Sweden has undergone in the last two or three years, all of it to reducing municipal tax rates, indeed, personal tax rates, Mr. Deputy Chairman, because human nature, for better or worse, is what it is. There are those who work hard, and when they look around and see somebody not working quite as hard, they like to believe that at the end of the day they will have even more than they otherwise would.

Now, Mr. Deputy Chairman, I was accused before of being a supporter of consumption taxes. I am, because I still believe that those that tend to make more, for whatever reason, tend to spend more. A lot of it is because of self-aggrandizement; a lot of it is because they want to show the world the fruits of their labour; but they tend to spend. To my point of view there is no better place to tax, and secondly, you cannot escape the tax.

Today, under the income tax, the very heavy rates of increasing income tax, you set up barter systems so easily. I honestly believe that one of the problems that we have in the country is that there is an awful lot of—for want of an estimate—I bet well beyond 10 percent of revenue is not being reported, of income. Yet who is captive, totally captive? Well, the ordinary wage earner, the person who goes to work from nine to five; that person is totally captive, no write-offs, no businesses; it is on a T4 slip and that is it. But the individuals who earn their income in different ways, where it is not recorded, where they have a series of write-offs on the expenditure side, in my view have greater freedom. If they do not have scruples, they have a greater freedom to maybe not report their income.

(Mr. Ben Sveinson, Acting Chairman, in the Chair)

So I do not think the income tax system, as it now exists, or one that would put greater pressure on the higher-income levels, would in any way manifest itself in necessarily larger revenues to Government.

Mr. Alcock: It is an interesting argument, but just before we move off it completely, the Auditor General, in his final report, indicated some hundreds of millions of dollars in uncollected taxes, federally. Does it include any sense on what proportion of that would occur to Manitoba?

Mr. Manness: Mr. Acting Chairman, I just found out from Mr. Boschmann that we have a situation where, as soon as they are assessed, as soon as a filer, corporate or individual, is assessed by the

federal Government who collects our taxes, we receive the benefit of that face-value assessment whether the federal Government collects or not. What we do not receive is interest and penalties, indeed, if that taxpayer or filer ultimately pays; but ultimately if that taxpayer does not pay, we do get the benefit of the first assessment.

Mr. Alcock: So that out of that hundreds of millions, whatever figure that was that Mr. Dye chose to identify, were collected, it would mean no difference to us; it is strictly a charge against the federal purse.

Mr. Manness: Correct.

Mr. Alcock: The Member for Brandon East has some concluding remarks he wishes to make, and then I would like to do the same.

Mr. Leonard Evans: Yes, Mr. Acting Chairman, although one is tempted to get into debate, particularly over some of the comments that were made just in the past half hour or so, I have refrained. I would like to conclude my remarks of the Minister's Estimates by saying that without question the Province of Manitoba is being hurt, has been hurt by federal economic policies, by federal financial policies. We see the balkanization of Canada through the squeezing of federal transfer payments.

If anything, what is required to hold this country together is a federal Government that is going to pursue policies that will help the have-not provinces maintain at least some minimal standard of living. I think that is more important than the language question.

* (2300)

Secondly, in my view, free trade has hurt Manitoba; there is a lot of evidence of loss of jobs. I do not think there is any doubt or any debate that we have been hurt by the high interest rate policies of the Bank of Canada. For whatever reason they are there, they are hurting us, and certainly we have been hurt generally by program cuts that we see with the federal Government.

We could enumerate some of these details as well if we wanted to take the time, but there is no question it is very difficult to be Minister of Finance today. It is very difficult to be a Government of Manitoba today for no other reason because of the federal financial and economic policies.

In my view, we have a set of economic policies that has not allowed us to have the amount of economic growth that we should have. While we

might want to take a little bit of comfort in saying, well, we have the lowest rate of unemployment in the country, still that rate of unemployment is unacceptably high if you compare what we have had before the depression or recession of 1981-82.

The Minister, I know, sincerely believes that his approach is the best approach to stimulating and bringing about the optimal economic growth in the province and that is a supply-side approach, I would suggest. He is always concerned about the tax system, in particular, that if there was a proper tax regime, if we had tax breaks for business and so on, we would therefore have a better economic development.

I would submit, Mr. Acting Chairman, that it will take decades for some significant tax break or significant tax policy to have a positive impact, that the Minister is using what I would call the supply-side approach. While there is some rationale in that and there is some merit in it, that approach I believe was discredited in spades during the Reagan administration, the Laffer curve and all that and generally speaking supply-side approach, if it is at all effective, is one that takes decades.

What our immediate problem is, is one of lack of sufficient demand for the output of goods and services of our industries and that is the challenge. While the Minister probably is prepared to take a more laissez-faire approach toward the Manitoba economy, we believe that the provincial Government has some responsibility to offsetting the business cycle, as I said in my opening remarks.

I think this is my greatest concern with this Minister, with this Government, that we are prepared to sit back and watch a serious economic recession unfold without taking some measures to stimulate it. Again, I do not want to take the time to go into detail because I have raised these matters in the past.

I simply say, we will wait and see. The Minister will be around I suppose for a few years. The Government will be around for a few years, unless there is some sudden vote in the House that causes otherwise to happen. We will see what happens and see to what extent Manitoba's economic growth will be satisfactory or less than satisfactory. So, having said that, Mr. Acting Chairman, I am prepared to pass the Estimates of the Minister of Finance (Mr. Manness).

The Acting Chairman (Mr. Sveinson): The Honourable Minister for Osborne.

Mr. Alcock: Well, thank you, Mr. Acting Chairperson, and I thank you for the elevation. I trust I will see it in my cheque -(interjection)- You would not have done that, Laurendeau. Okay.

(Mr. Deputy Chairman in the Chair)

I would just like to make a couple of concluding remarks and to pass the Estimates. I am actually sorry I missed the Estimates for Treasury Board but I do not see any value, frankly, in prolonging this agony and to deal with them another day. There were a few concerns that I have of a practical nature about the ISSB unit there, that I think is a bit misdirected, but I would like to talk to the Minister or the Member some other time.

The Government wants a mandate, and you have the ability to govern for a number of years. You have a plan and, frankly, the Minister is quite right, that the province is outperforming other areas of the country right now. Whether that is due to your plan or to happy circumstance or to recovery from the drought and the very low growth of the previous year, whether it is a statistical anomaly on the employment side because we are losing a lot of people, I do not know in sufficient detail to offer any constructive advice. I do know that, the broad indicators in a very difficult time, in our economic history, we are doing not badly.

I also have some respect for some of the decisions that have been made by the Government, but I am profoundly worried about two trends that I see in the country. I share some of the sense of, maybe frustration or almost helplessness that the Minister expressed when he talked about what do you do with this shift of income that is going on when, in fact, if you do make a small change here you simply drive money into other parts of the country or the world given the change to a global economy.

We are creating a world and a community that is more self-interested and less community-interested than it has been, that is more grasping, if you like, and less prepared to help another person. I feel very badly about that.

I think some of the rhetoric, if not the actions, of this Government simply exacerbate that. I think that there is room still within economic policy and financial policy to attempt to bring about a social good, that it is not simply managing a balance sheet.

I would ask the Minister to consider carefully as he looks at his budgets, to step back from some of the simplistic rhetoric that we hear coming out of the

front bench, and to look in more detail at the effects of your policy on the kind of community that we create here in this province.

I will say as my final remark—given this is the first of four years, it may be the last remark of this nature that I make—that I am impressed with the actions of this department in the last year. With that, I am prepared to pass.

Mr. Deputy Chairman: We are dealing with 1.(a) Minister's Salary \$20,600—pass.

Resolution 53: RESOLVED that there be granted to Her Majesty a sum not exceeding \$999,100 for Finance, Administration and Finance, for the financial year ending the 31st day of March, 1991—pass.

This completes the Estimates for the Department of Finance. The next set of Estimates that will be considered by this section of Committee of Supply are the Estimates for Industry, Trade and Tourism, since the Estimates for Seniors Directorate passed earlier today.

Mr. Manness: Mr. Deputy Chairman, although I moved that we could possibly sit until midnight, given the lateness of the hour and given the fact that I think we still have some arrangements to make, I would move that committee rise at this point.

Mr. Deputy Chairman: Committee rise.

SUPPLY—EDUCATION AND TRAINING

Madam Chairman (Louise Dacquay): Order, please. Would the Committee of Supply come to order, please. This section of the Committee of Supply has been dealing with the Estimates of the Department of Education and Training. We are on 3. Financial Support - Schools \$541,306,200 (a) School Grants and Other Assistance \$524,154,400.00. Shall this item pass?

* (2010)

Madam Chairman: Order, please.

Mr. Dave Chomiak (Kildonan): To continue along the line of questioning that I left off on prior to the break, there seems to be a basic disagreement between our figures on this side of the House and our research as to the percentage of Government support to the public schools in Manitoba and the Government's figures.

The Minister cited the support to the Winnipeg School Division No. 1, to use the Minister's figures, at 66.5 percent, I believe. Given that the Minister has

indicated 80 percent support across the board to all school divisions in the Province of Manitoba, I am wondering, of the 57 school divisions or 56 school divisions, can the Minister indicate which ones get 80 percent support or more?

Hon. Leonard Derkach (Minister of Education and Training): Madam Chair, let us make the record a little straighter than what the Member for Kildonan (Mr. Chomiak) hinted at. First of all, the reason that the supportable expenditures to Winnipeg School Division No. 1 are at 66 percent is for several reasons.

First of all, the programs that are being offered by Winnipeg School Division No. 1, outside of the core subject areas, are of their own decision making and some of them are very expensive programs. In addition, the pupil-teacher ratio in Winnipeg School Division No. 1 is the lowest in the province and indeed is probably one of the lowest in the country. All of those factors combined will give you a lower supportable expenditure in percentage terms than you would have for the school divisions.

Madam Chair, if the percentage of supportable expenditures is at 80 percent by the province to most school divisions, it is obvious that there are some who are much higher than 80 percent, as well, if there are some who are at 66 percent. Although I do not have each school division here broken down, that is some information that we could get for the Member and table it at another sitting.

Mr. Chomiak: I can indicate for the Minister that our figures indicate there are a total of six school divisions out of 57 that get more than 80 percent support—only six.

I would be very interested to see the Minister's figures when those figures are tabled in the House because, quite frankly, aside from not concurring with the Government's figures, I also think we are having a divergence of opinion with respect to our use of terms in terms of supportable development. The Minister well knows that supportable development does not mean full funding, that that, in fact, is a mythical figure.

Mr. Derkach: I guess it depends on what question you ask. If you want the amount of supportable expenditure support by the province, you get it. It is 80.1 percent overall. If you want to use some other figure, some other calculation, some other criteria, you will come up with a different percentage. It is only obvious.

Therefore, Madam Chair, it is true; it depends what figures the Member is asking for. If you are asking for the supportable expenditures and the percentage that we support school divisions across this province, it is 80.1 percent.

Mr. Chomlak: How about actuals?

Mr. Derkach: Madam Chairman, that is the actual supportable expenditure by the province—80.1 percent.

Mr. Chomlak: Madam Chairperson, during Question Period, I queried of the Minister the question about new money being forwarded in this budgetary year to the public school system, and for sake of an argument, I will round off these figures to get the Minister's opinion. At the time, I believe, and I quoted, he refuted all of my statements, so I would like some corroboration as to whether or not my figuring is accurate or inaccurate.

Approximately \$37 million has been allocated in this year's Supplementary Estimates to the public school system. Of that \$37 million, it is our estimate on this side of the House that approximately \$23 million of that sum amounts to the removal of the ESL from rural property. The Minister has indicated—and I believe my figures are that roughly \$5 million of that funding, for sake of an argument, is to private schools, which leaves roughly a total of \$10 million new money to the public school system in this budgetary year, which, to my calculations, amounts to 2 percent. If you consider that MAST, which the Minister often refers to, has calculated that the effect of the GST on school budgets will amount to 2 percent, the net result is no increase to the public school system in this budget. I am asking the Minister, for purposes of my understanding, whether or not my figures are accurate.

Mr. Derkach: Madam Chair, I was just checking my figures to see whether or not the response I had given to the Member during Question Period was accurate and it indeed was.

Although the funding to independent schools has risen to 54.4 percent of that given to the public system for operating support, this increase was accommodated from the 1989-90 budgeted levels for independent schools. Secondly, the loss of ESL on farm land was \$18.8 million and not \$23 million. However, most of this short fall was made up by the transfer of some \$16.1 million in adjusted vote funds from the Department of Agriculture representing previous education tax assistance that had been

provided to farmers for relief from ESL. The net effect on the Consolidated Revenue Fund of removing the ESL from farm land amounts to \$2.7 million, Madam Chair. Indeed, the Member's figures are not accurate.

Mr. Chomlak: Madam Chairman, I would just like to pursue that line of questioning to see where my figures are inaccurate. The Minister indicated it is \$18.8 million, which is the transfer of the ESL, if that is correct. -(interjection)- Pardon, \$18.1 million. For sake of argument, I will use the figure of \$18 million, but I am correct in my assumption that that therefore is not new money flowing into the system, and therefore the overall budget is inflated by that factor, or am I wrong?

Mr. Derkach: No, Madam Chair, it is not. Let me once again reiterate what I have just said. The shortfall was made up by a transfer of \$16.1 million in adjusted vote funds from the Department of Agriculture representing previous education tax assistance that had been provided to farmers for tax relief from ESL. Therefore, the net effect on the Consolidated Revenue Fund of removing ESL from farm land is \$2.7 million.

Mr. Chomlak: The Minister is telling me that of the \$37 million increase roughly, to public schools, only \$2.7 million is as a result of the removal of the ESL from rural properties.

Mr. Derkach: That is correct. The \$16.1 million that I referred to is on both sides of the '89-90 and the '90-91 projections.

Let me tell the Member that I do not know where he is driving at or where he is trying to get to. The fact remains that the support to public schools in this province was indeed over the rate of inflation. Therefore, I do not know where he is driving at, but I would certainly like him to get to the bottom line and ask the question.

Mr. Chomlak: I asked the question of the Minister, and the question was: How much new money is going into the system?

Mr. Derkach: The answer to that question, Madam Chair, is \$37 million.

* (2020)

Mr. Chomlak: So in my assumptions I was erroneous in assuming that the \$18 million difference in the removal of the ESL going into consolidated revenues was not accounted for

because of the transfer of the \$16.1 million from Agriculture.

Mr. Derkach: Madam Chair, that money was being paid out in any event through the Department of Agriculture. If you take a look at the way that it has been approached now, that shows up in our particular Estimates, and it is new money. It is not something that we are using from some other department or some old money that we have had kicking around. It is all new money. It is a 4.7 percent increase in funding to education. That is the increase, year over year. We are not trying to hide or camouflage any figures here.

Mr. Chomlak: I am sorry to belabour this point, Madam Chairperson, but I want to make sure I understand this. Would not that \$18 million have been made available to those school divisions regardless of this budget?

Mr. Derkach: Madam Chair, I would like to clarify it for the Member if I can. That money has nothing really to do with the 4.7 percent of funding that was received by school divisions. That \$18 million was just simply a different source, if you like, but it had nothing to do with the additional \$37 million that was received by school divisions. That \$37 million was new money.

Mr. Chomlak: One final time, I will put it one other way, Madam Chairperson.

Would not those school divisions have had access to that \$18.8 million as a result of the levy on rural properties, thereby not requiring the Government to throw that additional \$18 million into consolidated revenues?

Mr. Derkach: The answer to that is, yes. You are partially correct, except that now they were being rebated before, which they are not being rebated for now.

Mr. Chomlak: So, while our terminology may differ somewhat, that \$37 million is not entirely new money, my point.

Mr. Derkach: Madam Chair, it is new money to the Department of Education and Training, which went in support of schools in this province.

Mr. Chomlak: Madam Chairperson, the Minister has made much about the increase to school divisions in excess of the inflation rate. Can he give me the figures for the last two budgets, please?

Mr. Derkach: Madam Chair, I do not have the figures for the last two years, but I can get them for

the Member and have them available at the next sitting.

Mr. Chomlak: Madam Chairperson, I notice in the appropriation, the subappropriation No. 3(a) that it says School Grants and Other Assistance, the wording in the appropriation itself. At one time, I understand, it used to say public school grants and other assistance. I wonder if not a better course of action in future supplementary Estimates might not be to break it down between public and private. I am wondering what the Minister's comments on that might be.

Mr. Derkach: Madam Chair, whether it is the independent school system or the public school system, it is part of the Manitoba school system. This is the way that it is broken out, but, indeed, if the Member wishes to know specific figures, all he needs to do is ask the question, and we would be more than pleased to break it out for him.

Mr. Chomlak: I believe the Minister broke out those figures for me earlier in terms of actuals. I appreciate that.

Does the Minister have the actual apportionments per school division? Does he have access to those tonight?

Mr. Derkach: Madam Chair, can I ask the Member for clarification of what he means by apportionment?

Mr. Chomlak: Yes, I apologize. My question was not that clear, but what the actual percentages and dollar values are on a division-wide basis for budgetary expenditures to each school division.

Mr. Derkach: We have the dollar amounts that have been made available to each school division. Those are available if the Member would wish to look at them, yes.

Mr. Chomlak: I would like that, Madam Chairperson, if the Minister could provide me with that.

Mr. Derkach: I can copy these or I can table these at this time.

Mr. Chomlak: At this point, I will allow the Honourable Member for River Heights (Mrs. Carstairs) to pose her questions in this area.

Mrs. Sharon Carstairs (Leader of the Second Opposition): Madam Chairperson, am I correct in assuming that the \$541 million figure does not include the ESL funding?

Mr. Derkach: Yes, that is correct.

Mrs. Carstairs: Perhaps I can clarify a little bit what the line of questioning was before. Is the ESL amount of money shortfalled now by some \$18 million since there are those who are not paying that tax any longer?

Mr. Derkach: That is right. The Member is correct in that statement.

Mrs. Carstairs: When we combine the two figures together and we say that there is 80.1 percent support, then what we have done is take \$18 million from one part of the grant and added it to another part of the grant which means that there is in fact no increase. That \$18 million is a zero increase.

* (2030)

Mr. Derkach: Madam Chair, I did go through that, but I will do it again. If it was \$16.1 million as I had indicated in one year, and it was \$18.8 in the next, then there is a difference of \$2.7 million, which is the increase.

Mrs. Carstairs: In real terms what we have done here is that we have taken from Peter and put into Paul in two successive years, because the money, the real dollars given into education, must have been reduced if the ESL funding has been reduced, first by \$16.8 million and then by \$18 million.

Mr. Derkach: Prior to the change in legislation, Madam Chair, what used to happen is that when the ESL was collected by the province, the rebate was given to the farmers by the Department of Agriculture. When the legislation was changed in this last year, what has now happened is that the Department of Agriculture is no longer rebating the money to the farmers. Instead, the money is now coming from consolidated revenue to the Department of Education and Training.

Mrs. Carstairs: Can the Minister of Education tell the House what is the percentage above and beyond the normal per pupil grant now being given to special needs children according to their categorization?

Mr. Derkach: Madam Chair, the Level 1 funding, the formula has changed in that it is now based on the pupil count within the particular school. However, Level 2 and 3 funding has changed. The Level 2 funding was \$6,600.00. We have increased that to \$7,100, and the Level 3 funding which was previously at \$13,200 has been increased to \$15,800, and that represents an increase in those two areas of 7.6 percent and 20 percent respectively.

Mrs. Carstairs: As I recall, the formula was based on an incidence of 5 percent of the number of students being special needs. Is that the correct percentage figure, or is it a different percentage figure? By 5 percent, I mean that it is identified that 5 percent would be identified as being Level 1 funding needed?

Mr. Derkach: Madam Chair, the Member is correct in her statement that it is a percentage, but specifically what that percentage is, I do not have it at this time. I do not believe it was as high as 5 percent, but I will get that specific figure for you.

Mrs. Carstairs: Perhaps that is because in reading of educational materials it is clear that 5 percent of children probably do suffer from some form of learning disability and that may be why.

Has the Minister done, through his department, any evaluation of whether or not this new formula, this automatic formula for Level 1, is in fact meeting the needs of specific school divisions which may have, by virtue of a number of issues, children with a higher than normal percentage of learning disabled? For example, within the Native community, it has been identified that 10 percent of their children suffer from some form of learning disability. Has there been any evaluation done to make sure that we have appropriately given special needs funding to the school divisions which have the greatest number of children who are identified as learning disabled?

Mr. Derkach: One of the areas of concern prior to our moving to this method of funding special needs students at Level 1 was that there was a great deal of time spent on negotiating the support to the students who were identified in the school division.

Secondly, a great deal of energy was expended on arguing whether or not certain students fit this category. For that reason the department felt that it was more appropriate to move to a formula where a school division would include all of its enrollment, or the school would include all of its enrollment in determining what Level of support they would get for special needs.

The net effect of this was that school divisions would receive a greater amount of funding than they did under the old formula. We have not heard any outcries that this is an unfair way of doing it and that the old system was better. What has happened is that it has allowed for those people who are working with these children more time to spend in working

with the children who need the supports and need the assistance, rather than spending time in administration and debate on whether or not these students fit into a category. Moving to this system has allowed for more resources to be spent on programming and on students.

Mrs. Carstairs: I am sure that the Minister is aware that Alberta, which had gone to this new change that the Minister has indicated, has gone back the other way, because they found that it was not addressing the needs of special needs children within their province.

It is very clear that as we move in this city from school division to school division there are many more children in some school divisions on a percentage basis that have special needs. That is particularly identified in the Winnipeg School Division No. 1, which is one of the reasons why their costs of educating per pupil are so much higher. Has the Minister any intention of doing an ongoing evaluation to ensure that special needs funding at Level 1 is examined constantly so that we make sure that children who are in real need of that funding do in fact get that funding?

Mr. Derkach: Madam Chair, perhaps I can indicate to the Member that the formula that we are using in our school system is not a flat grant, if you like, on a per student basis, or a flat amount of money that is given to a school regardless of the enrollment. As a matter of fact, there is a formula in place where the number of eligible units determines the size of the grant. The grant per eligible student is determined in this way, if I can use this as an example.

If there is an enrollment that is greater than 1,600 the size of the unit is 160 and the eligible grant per pupil would be \$20 per student. If there are, for example, 100 students or less, the number of eligible units then would be zero, of course, but the grant per student would be \$200 so that, although the smaller your school population, it is recognized that there you will need more support because indeed you do not have the students to be able to come up with the amount of money that is required for Level one funding.

As I have indicated to the Member, this appears to be working much better than the former formula did in addressing the needs for Level 1 students in the school, because teachers and those people who are working with these students no longer have to go through the laborious exercise of trying to identify

Level 1 students and then determining at what point in time you determine that a student is at the Level 1. Now a school will get that grant money and then can utilize it to provide the services for those students who may need it, who may not necessarily fit into the Level 1 under the old formula, but indeed may need some supports. This allows the school to be more flexible in delivering the services to those students who really need it.

* (2040)

Mrs. Carstairs: In the list of monies which have been distributed by the province to the school divisions, and I may be off one or two, it would appear that 27 of them received monies less than the rate of inflation and 28 received monies at or above the rate of inflation. Can the Minister tell us if there is any relationship between the amounts of money they got above or below inflation, and a decreasing or increasing number of students within that division?

Mr. Derkach: Madam Chair, one of the problems with the whole issue of support to school divisions is, of course, the way that the GSE formula is applied to the funding of school divisions. Yes, there are areas in our province where the school population is declining, where we have a problem in terms of the amount of money school divisions receive and indeed in other areas of the province where we have low-spending school divisions where the GSE formula did not address the needs adequately.

However, there was I guess a safety valve built into the whole issue of funding schools, whereby if a school division found itself in a situation where it needed special assistance because the GSE formula did not adequately reflect what the needs were, then we did embark on some discussions with that school division, or divisions. We did make some adjustments where they were necessary.

Mrs. Carstairs: Can the Minister explain why there seems to be a difference in information in what one acquires from Winnipeg School Division No. 1 and from the Department of Education? They argue quite vigorously that their increase was 2.7 percent. The figure that the Government gives is 4.4 percent. Why did the two levels of Government present quite a different figure?

Mr. Derkach: Madam Chair, I do not understand really why Winnipeg No. 1 may be saying that they only received 2.7 percent or 2.2 percent or whatever it is that they are indicating they received.

What happens in this whole process of budgeting is that there is a standard format that is used for school divisions to submit their budgets to the department. We use the same formula, the same criteria, to arrive at figures for all school divisions. Sometimes, because of the inadequate nature of the GSE formula, we find that most of our school divisions are now on the guarantee, because the formula has not been treating them very equitably.

According to the criteria that are set down and the calculations that are done, our figures indicate that Winnipeg No. 1 would have received 4.3 percent increase in their grants this year. Now why Winnipeg No. 1 is saying that they got 2.2 percent or 2.7 percent, whichever it is they are saying, I really do not have the answer to that. I, too, would like to know what criteria they are using.

This is something that has been worked out with our Finance branch. It is not something where we say this is the amount of money you get. This reflects 4.3 percent, now go away and do not bother us anymore. The Department of Admin and Finance in our department and the school division work very closely at going through the budget to determine what actual percentage that school division will receive.

I might indicate, also, that Winnipeg School Division No. 1 received some additional consideration and a one-time grant this year because of the special nature of students that they have within the inner city and the problems that are associated with those students.

Mrs. Carstairs: Madam Chairperson, is that one-time grant included in the \$109 million figure that is listed in the categorical block Equalization and Guarantee?

Mr. Derkach: No, Madam Chair, it is not a part of that. As a matter of fact, the size of that grant this year was \$3.2 million or an additional \$1.2 million over what they had received the previous year.

Mrs. Carstairs: Madam Chairperson, the Government made a decision and I thought a very wise decision to remove the funding of private schools from the Lotteries system. I said if they were going to increase their funding from provincial sources, they should not also be eligible for Lotteries funding. Quite frankly, I do not think it is appropriate to be funding schools from Lotteries.

I have been told, however, by some of the Catholic schools that that actually means they have

a net decrease in the amount of money that they will be receiving from what they received from the Department of Education and what they received from Lotteries.

Can the Minister confirm that that has happened to some of the Catholic schools?

Mr. Derkach: Yes, Madam Chair, that is true, but it is a result of a couple of factors. First of all, the Lotteries funding no longer goes to the independent schools. Secondly, out-of-province students used to be funded by the Department of Education and Training whereas in the public school system out-of-province students could not be funded.

Under the new accountability and under the new regulations that no longer is the case. So some of the reason is because of the Lotteries funding and some because some schools in our province do attract out-of-province students and those would not be covered in the formula. So in the short term, there may be a decrease in the amount of funding that an independent school may receive but in the long run there will be a significant increase in the funding that is afforded to these independent schools.

Mrs. Carstairs: I think the Minister would agree that would rarely be a Catholic school, because very few Catholic schools have a boarding component. Normally, the out-of-town students would be at the University of Winnipeg Collegiate or Balmoral Hall or Ravenscourt, but not within the Catholic school system.

Can the Minister tell me why there seems to be a discrepancy between the taxation policy on some residences belonging to independent schools from other residences of independent schools? I will give you a specific example. The Steinbach Bible College, for example, is not taxed on its residence, but the Mennonite school in Gretna is taxed on its residence.

Mr. Derkach: Madam Chair, I could not give the answer to the details of that question, simply because that is an assessment issue and should probably be dealt with more adequately in the Estimates of the Department of Rural Development. Therefore, I do not have the answer to why one residence would be taxed and the other should not. They should either both be taxed or neither should, in my opinion. There could be circumstances surrounding those issues which need to be explained by the Minister when his Estimates come before the House.

Mrs. Carstairs: The reason I ask the question is that when the Department of Rural Development was contacted, they said that the list provided was provided by the Department of Education, and that is why I raised it in Education Estimates—that they indicated apparently to the Department of Rural Development which ones would be taxed and which ones would not be taxed.

* (2050)

Mr. Derkach: Madam Chair, the Department of Education and Training does not make decisions as to which property should or should not be taxed. We may be providing lists of independent schools with residences in the province to a department if we are asked that, but the decision of what is done with that list or how the taxes would be applied to it is not something that is determined by this department. I think the question would be more appropriately put to the Minister of Rural Development (Mr. Penner) in his Estimates.

Mrs. Carstairs: I can assure the Minister, it will be put to the Minister of Rural Development in his Estimates.

Can the Minister tell the House what types of funding are available to school divisions with respect to Small Schools funding and how many school divisions have now been identified as requiring Small Schools funding?

Mr. Derkach: Madam Chair, the Small Schools grant is provided for schools which have small enrollments, and it is done to recognize the fact that with small enrollments in some of our schools it is impossible to carry out some of the programs that need to be carried out in some of our smaller areas. However, there are small schools in almost every school division in the province with the exception of about three or four, and I could read the amounts that each school division receives, but they vary right through the entire province.

I could tell the Member that the Fort Garry School Division does not receive a Small Schools grant, neither do Kelsey, Flin Flon and of course, the Mystery Lake School Division. Those are the areas that do not receive them. I could table a copy of the school divisions and how much money they receive per school division in Small Schools Support.

Perhaps there was one area that I did not touch on and that was how the Small Schools Support is calculated, and I could indicate to the Member that it is the lesser of the cost of the Small Schools

programming or the total of the high school students within that school.

If the population is less than 15, then they get \$20 per elementary pupil, 15 or more but less than 18 they receive \$10, and if it is 18 to 21 they get \$5 per elementary pupil. If the pupils per secondary grade on September 30 are less than 50, then they would receive \$70, if they are 50 or more but less than 53 they get \$35, and if they are 53 to 56 they get \$17.50. If a school qualifies for support under either of these, or if the school contains only special education pupils and has an enrollment of less than 100 pupils, the amount is \$3,000.00.

Mr. Chomlak: On this sheet that has been distributed to us with respect to categorical block equalization and guarantee, the 1989-90 equivalent, what does that refer to, the term "equivalent"?

Mr. Derkach: The reason for the term "equivalent" there is that it was not a program year. Because of the change in fiscal year, there was an '89 year and a '90 year.

For that reason, because of the change in fiscal year and the break-up of the way that the funding went to the school divisions, we have what we call an "equivalent" of the '89-90 school year.

Mr. Chomlak: So the '89-90 figure would not equate to the last year's Estimates.

Mr. Derkach: Madam Chair, the reason it would not equate to the Estimates is that this is done on a school year basis, whereas the Estimates are done on a fiscal year basis.

Mr. Chomlak: I am wondering if the Minister would have a percentage estimate of the cost of special needs students that is covered by the province, what percentage cost is covered by the province in terms of grants, and what percentage is covered by school boards as a result of this special levy? Is there a percentage breakdown figure the Minister has?

Mr. Derkach: Madam Chair, I have the list of the support as a percentage of expenditures. Would the Member like me to read the entire list? I have all the school divisions listed here and I could read the percentage of support for special needs if he so chooses.

Mr. Chomlak: I would actually prefer if the Minister would table that document.

Mr. Derkach: Yes, I can table this information, Madam Chair.

Mr. Chomlak: Just on a question of specifics as it relates to the Seven Oaks School Division, I am wondering if the Minister can advise me whether or not, as a result of the changing to transportation subsidies announced in the spring of 1990, whether or not the Seven Oaks School Division will suffer a decrease or an increase in funding for its transportation needs?

Mr. Derkach: Madam Chair, with regard to Seven Oaks School Division, the support in 1989-90 was \$1,090,585; in 1990-91 the support is \$1,225,350.00. Support as a percentage of expenditures for 1989-90 was 72.2 percent, and in 1990-91 it is 73.1 percent.

Mr. Chomlak: Can I ask the Minister, does he have any figures projecting those costs any further?

Mr. Derkach: Not at this time, Madam Chair.

* (2100)

Mr. Chomlak: Does this category, 3.(a) that we have been dealing with, deal with any capital, or is it exclusively operating?

Mr. Derkach: No, Madam Chair, this is all operating.

Mr. Chomlak: Can I ask the Minister, Madam Chairperson, if any provisions have been made in this year's Estimates and what staff have been allocated for the implementation of pay equity?

Mr. Derkach: With regard to the whole issue of pay equity, as I indicated before, we have met with the organizations, the Trustees Association, on pay equity. We have also met with the Department of Labour on pay equity. There are two divisions, I think, in the province which have embarked on this process on a voluntary basis. I think one division has implemented it, and that division is Assiniboine South. We are slowly moving toward pay equity within our school division system; however, I have to indicate that we have learned, from some of the experiences by the school divisions which have embarked on this process, that it is a fairly complex one and one that has to be embarked on slowly but steadily so that we do not make mistakes that we have to go back and correct. We are in consultation with the players in the education field and I guess I can assure the Member that we are moving forward with it.

Mr. Chomlak: Madam Chairperson, can the Minister indicate if any staff years have been allocated to the process this upcoming budgetary year?

Mr. Derkach : There are no staff years within our department that have been allocated to this task, but as I indicated it is a task that we are working on jointly with the Department of Labour.

Mr. Chomlak: Just perusing this document that the Minister has provided to us with respect to special needs, for my own understanding if the Minister perhaps could clarify for me these figures. If I look at No. 1, which I assume is Winnipeg School Division No. 1, if I understand this correctly, last budgetary year 29 percent of the costs of special needs students were covered by the province, and this year that figure has dropped to 26.2 percent. Is that a correct assumption?

Mr. Derkach: As the Member knows, the reason we increased the funding for special needs students this year was that there is a recognition that that is one of the areas there is a problem with. There are more special needs students in the system today than there were a few years ago, especially in school divisions like Winnipeg No. 1 where we do have the special problem of the inner city, the core area. For that reason, although there appears to be somewhat of a decrease in percentage terms, I can indicate to the Member that is one of the reasons that special consideration is given to Winnipeg No. 1, and for that reason they receive that special grant of \$3.2 million to allow them to deal with some of the special cases that they have.

Mr. Chomlak: Can I ask the Minister if that \$3.2 million is a regular grant or will that be ongoing?

Mr. Derkach: The \$2 million has been in place now for several years. The \$1.2 million was identified as a one-time grant to the school division this year and the entire need is assessed on an annual basis, even the provision of the \$2 million is assessed on an annual basis to ensure that money is required by the division.

As I go back to that same old problem of the GSE formula, and probably until such time that we embark on a new approach in terms of funding school divisions, this will be with the division and with us.

Mr. Chomlak: I am a bit surprised at these percentages, to speak honestly. I am aware that the Minister earlier on in his career in this House when he was an Opposition Critic strongly urged, and he could correct me if I am wrong, a 50 percent level for special needs at least and if one looks at the largest areas where special needs are required, the

formula on a percentage basis falls far below. I am looking at the Frontier School Division, 18 percent, and St. Boniface, Fort Garry and St. Vital admittedly in the mid-40s.

I am wondering in the comprehensive review that the Minister is undertaking of education financing, whether or not this specific matter is going to be addressed.

Mr. Derkach: Indeed, it is, Madam Chair.

One of the whole problems with special needs funding has resulted because we have moved into mainstreaming students who were formerly not in the education system at all. If the Member, and I am sure he will, tours some schools in the province, he will note many of our schools have some very elaborate equipment for handling special needs children today, equipment that was not in place ten years ago. The reason for that is that we are now bringing children into our school system who at one time were not in the school system at all. They were being supported, not by Education and Training, but by some other department.

That responsibility has now come back to the Department of Education and Training and to school boards and school divisions. For that reason special needs funding is of big concern and a challenge before us in this province and the funding formula that we are working on is certainly going to incorporate addressing the issue and the challenge of special needs students in the school system.

Mr. Chomlak: Madam Chairperson, I just want to remind the Minister, of course something he is well aware of, that certainly in Winnipeg No. 1 that other 70 percent is made up by the local taxpayer, and that is a substantial burden and I have heard it time and time and time again from local school boards that the special needs expenditure is one of the areas that is hurting them badly. I hope that the Minister will quickly address what amounts to an inequity in the system.

Mr. Derkach: Madam Chair, it is true that we have before us a situation with special needs students that is of concern to school divisions and to the entire education community.

* (2110)

I might indicate that for the first time this year we have increased the funding for Level 2 and Level 3 students in our school system substantially. I think that was a positive move, I think it was a move that was overdue, but on the other hand, we must

recognize that the resources of this province are only so big and that you cannot simply throw in a huge sum of money in one year to make up the shortfall, especially when we are embarking on a whole revamping of the education funding for school divisions. If we take, as an example, a look at Winnipeg No. 1, and I note that the total special needs support to the division, excluding the \$1.2 million that I spoke about previously, is something in the neighbourhood of 5.3 percent. So there is a recognition that this is an important area and one that requires attention in the future as well.

Mr. Chomlak: I just remind the Minister that both he and the Premier (Mr. Filmon) constantly have spoken about education being a No. 1 priority and if that is the case then it should be reflected accordingly.

Mr. Derkach: I guess I could respond to that by saying, yes indeed it is a very important priority in our province. It is one of the issues that has been identified as a priority not only by us, but indeed by many of our residents in this province. If we are going to have a society in this province that is going to be productive and where Members can contribute to their communities, we know that we have to ensure that we have a well-trained work force, that our students have to be graduates of our high schools, that we eliminate the dropout rate that we have before us, and that we address the whole literacy issue that is such a problem in this province and in this country.

For those reasons, Madam Chair, when other areas of Government were receiving very minimal increases, and in some cases there was no increase at all, the Department of Education and Training did receive a substantial increase of something in the neighbourhood of 6.6 percent overall and that, indeed, is not a small amount of money, given the amount of money that we spend or invest in education in this province.

Mr. Chomlak: Madam Chairperson, I suppose the Minister and I will disagree on these figures but, as I cited earlier in my preliminary speech in this Estimate process, I believe studies done by our people on this side of the House indicate, of the 15 major departments, Education is the second last in terms of proportion funding increase for the last several years.

Mr. Derkach: Madam Chair, I almost find it somewhat amusing when I listen to the figures that

the Member for Kildonan (Mr. Chomiak) brings forth because I really do not know where he gets them from.

Madam Chair, I have to tell you that in the last two years this department has received a level of support from this Government that is well above the rate of inflation and certainly much higher than it is in most of the other departments within Government.

I can tell you that when we compare this record to that of the previous administration, we do not have to take a back seat to anyone in terms of the support that we give to our school system. I do not care whether you talk about support to our kindergarten to Grade 12 area, our support to independent schools, our support to our colleges, our universities, and to training—the facts are there.

In fact, we do support education in this province quite handsomely. I am not going to stand here and listen to the Member tell me that we do not, especially in light of the fact that when we compare these figures to what the former administration did, we are far above the support that was given to the education system during that period of time.

Madam Chair, we have a province that has a certain amount of resources. We have to live within our means. That is recognized, but because of the importance of education, I think we have demonstrated that there is substantial support to education.

As a matter of fact, we have addressed some needs, some very crying needs, that were out there, such as I might indicate, the School of Dentistry, a collapsing steam tunnel where there was indeed a need to address, and I could go on and on.

As a matter of fact, we lifted the freeze on school facilities where there was a freeze imposed on industrial arts facilities. We lifted that freeze to ensure that schools would be able to construct facilities that were needed by those communities.

Madam Chair, I somewhat resent the fact that the Member would stand up and say that we are not giving education the kind of attention that other departments are receiving.

Mr. Chomiak: Can the Minister table his figures that indicate what the proportionate value in current dollar appropriation was for the Department of Education for the last two years?

Mr. Derkach: Madam Chair, for 1989-90, the total dollar value was \$886,386,800.00. In the 1990-91 year, it was \$935,337,100.00.

Mr. Chomiak: Could the Minister give me the figure for '88-89, please?

Mr. Derkach: No, Madam Chair, I do not have those figures with me.

Mr. Chomiak: How can the Minister tell me that his figures are, in fact, in excess of other departments when he, in fact, does not even have those figures in front of him?

Mr. Derkach: I think that in the front of the Estimates book, and I will just check to see that, in fact, it is there. It is not there.

Madam Chair, the Member says, how can I make that statement when I do not have those figures before me, but I can tell him that we have already debated the other two years' Estimates. We are in the 1990-91 debate of Estimates here. I indicated to him what it was for the last two years which he asked for. I told him I did not have it for the '88-89 year, but I have just received it and I can tell him that it was \$837,938,401.00.

Mr. Chomiak: I can advise the Minister that I have the figures here for all Government departments including the Department of Education. I will stand by my figures, that Education is second last compared to 17 other departments for the past few years in a proportionate variation in current dollar value of appropriation.

Mr. Derkach: Madam Chair, it would depend on what you would throw into the mix, and then if you would take a look at all the extra monies that were provided for special programs, endowment programs and that sort of thing, one could draw that conclusion.

If we take a look at what the department receives from Government in terms of support, Madam Chair, it is one of the three leading departments, Health, Education and Social Services, the first probably being Health, in terms of the funding that we receive from Government in support of education and training and that is really what we are talking about here. So, it is not trying to pool together some sort of figures that would include a whole series of things.

Let us talk about the facts and let us talk about the way that the Estimates are arrived at and the support that is given or allocated to the various line departments.

* (2120)

Mr. Chomlak: I will agree with the Minister that Education is one of the top three, but if you take the figures for the proportion of increase that the department has received, I state until I am proved wrong, that it lags behind other departments for the past several years.

Mr. Derkach: Madam Chair, you could cut it in many ways if you wish. If you were to take a look at the total provincial support or expenditure to all the departments, if you lumped all the departments together and said, okay, what was the total increase to these departments, you would come up with a figure that is about 4.1 percent and the Member has those figures.

Our department received in excess of that and a total support of something like 5.5 percent, therefore, we are well above the average as well. So, Madam Chair, I have to indicate very clearly that we have demonstrated that Education is a priority. All I have to do is pull out the same sheet that this Member has over the last three or four years and apply the same criteria that he is applying, and he would see quite clearly that Education is an important element to this Government.

Mr. Chomlak: Can I ask the Minister what figure increase he used, was it five point what percent?

An Honourable Member: 5.5 percent.

Mr. Chomlak: 5.5 percent, and what is his projection of inflation next year?

Mr. Derkach: I am not a clairvoyant, Madam Chair, and I am not the Minister of Finance (Mr. Manness). I do not have a projection for inflation for next year.

Mr. Chomlak: Most standard reports indicate 5 percent or 5.5 percent, but I will not belabour that point.

Mr. Derkach: That may be true, Madam Chair, but this department has not as yet embarked on the process of finalizing our Estimates for the next fiscal year and once that happens we will be in a position where we can debate the Estimates for next year. I look forward to that opportunity, hopefully, in the early spring of 1991.

Mrs. Carstairs: I just have one particular concern. When the Minister gave us the figures for special needs, I did some quick calculations and if I am correct, and I think I am, Winnipeg School Division No. 1 got an increase from the provincial Government of about \$4.5 million. Their increase

necessary to fund special needs alone was \$4.8 million. If one takes into consideration what the provincial Government gave them, they ended up with a net increase for every other program they offer of a figure of \$296,243.00. I think that is correct.

Obviously the special needs funding problem of Winnipeg No. 1 is critical, as it would appear to be in the Frontier School Division where they are getting some 17 percent for last year, and 18 percent of special needs funding for this year. It is also, and I do not have the demographics, but I think that my point here would be correct, that there are probably more Native children in the Frontier School Division and in Winnipeg No. 1 than in any other school division, by both actual and percentage terms. Has the department done any particular evaluation as to the future needs of Native children within the school system, and what they are going to require in terms of funding so their special needs problems can be addressed?

Mr. Derkach: Madam Chair, the Winnipeg School Division No. 1 received an overall increase of \$4.5 million; the increase they received in special needs was some \$400,000.00. One of the difficulties we have had over the past number of years was to identify the definition of special needs students as determined by the department, and then as determined by a school division, and sometimes those numbers are not the same.

So when a division claims it is spending X amount of money on special needs students, those may not be the same students as are identified by the department as being special needs students because the division may in fact be identifying students who do not qualify for support according to the criteria set down by the department as special needs students. So we get into that kind of a discrepancy from time to time and there has to be a better approach in the future as to how we determine who indeed is a special needs student. We all have to agree that if a division wants to count other students who may have some special needs, or some special needs in areas that the division may want to provide, that division has the responsibility for those students, but that we will support those students who fall under the umbrella of the definition that we have for special needs children.

With regard to Native children, yes, it is true that the Native student population in the City of Winnipeg itself is probably higher than it is anywhere else in the province and that indeed we do have some

special challenges before us. You know, I always have to think about the fact that the Native people in this province also have some very special skills. I had the opportunity of working with Native children for several years when I was a school teacher some many years ago, and I have to indicate to you that I think Native children in many ways bring with them some special talents and are gifted in many ways. We have to make sure that when we provide educational programs for these students that we can draw out those special talents, those special skills because they are indeed there. So I do not see Native children in many ways as being disadvantaged and not talented. I see them the other way in many instances.

The only thing we have to do is make sure that we address their educational programming needs in an effective manner. For that reason, we have begun a process of dialoguing with the various Native communities throughout the province, and in the High School Review Strategies for Success we have indicated that we will be bringing together an advisory committee made up of Native people to give advice to the Department of Education and Training and to work along with the Native Ed branch to make sure that our programming is appropriate, that we keep those children in school as long as we can and until they graduate, and that we provide for them equal learning opportunities to students who are non-Native.

I can tell you that we have a shortage of resources in terms of library books, in terms of learning resources, in terms of translated material for Native children, especially in their own languages. So the Native Ed branch is working very hard at ensuring that they collect as much material as they can to distribute among the Native community in northern Manitoba, and also in the city.

We have decentralized some of the Native Ed branch to Dauphin to ensure that we can reach out to those communities and Frontier School Division in northern Manitoba, which have Native populations that fall under our responsibility. I can tell you that we have much work to do in that area, but we are progressing in the whole area of getting Native people involved as teachers and making sure that they address the needs of these children.

Mrs. Carstairs: While I agree with the Minister that these children have special talents, they have also been identified as clearly having special needs as well. They have a higher incidence of dyslexia; they

have a higher incidence of many learning disabilities; and, if they are not dealt with early in their school career, then, of course, their chances of success are very, very slight.

One of the issues, I think, that is critical in this province is that the federal Government not only has neglected its responsibility in a number of areas in education, but in one specific area and that is that the federal Government has yet to recognize that there is such a need, that there is a requirement for schools to be given special needs funding.

Those schools in the Province of Manitoba, which are funded by the federal Government—not by the provincial Government, but by the federal Government—have no grant for special needs. That is a policy decision of the federal Government. Can the Minister of Education (Mr. Derkach) tell me if that has been raised at meetings of interprovincial Ministers of Education, and if the federal Government is considering finally recognizing its responsibility to Native children in the Province of Manitoba and elsewhere, and providing that kind of funding which is in many areas desperately needed?

* (2130)

Mr. Derkach: Madam Chair, the Department of Education and Training does not get involved in reserve schools, for example, because that is completely out of our jurisdiction. Therefore, there are virtually no discussions on the funding that is provided to on-reserve schools by the federal Government.

Therefore, there is no substantive communication on that particular issue that the Member raises. The issue has never been raised at the Council of Ministers as well, and I guess it has not been raised because of the funding for those schools on reserves and the administration of those schools is really undertaken by the federal Government and we have very little input into the structure of the way that those schools are funded.

So I cannot give you a better answer than that; it just has not happened to this point in time.

Mrs. Carstairs: Well, finally, the fact is though that these children do move into our school system at a variety of levels, be it at the post-secondary level, sometimes just because the family moves off reserves and moves into the city and that child, who should have had that learning disability identified

and supported with funds long before, has not had that support.

Will the Minister ask his staff to look at the issue in some more detail and possibly raise it at the next Council of Education Ministers because these children, quite frankly, are being cheated by the federal Government of an appropriate education?

Mr. Derkach: Madam Chair, I guess I can relate to a personal experience because I live near a reserve where there is what I consider a fairly good school operating. I can tell the Member that in that particular school they do have programming for special needs students.

I do not know, or I would not pretend to guess, whether or not those special need students get a larger portion of the grant that is allocated to that school. The Band Education Authority is responsible for the allocation of those funds so I cannot answer whether there is special funding going into that.

Let me say that we have recognized the problems that are out there when students come to our school system and, for that reason, we have identified it in the High School Review. It has been identified through our Native Ed Branch in trying to get more Native people involved and more materials, more resources. We have identified that through our whole literacy and the rate of dropouts in this province. So we recognize the fact that there is a problem out there in terms of not losing these students to the system.

That is a good suggestion that I might take back with me and raise with my fellow Ministers of Education across Canada. I can assure the Member that I will raise it with them and at least get an understanding of whether or not these types of challenges prevail in other jurisdictions.

Mr. Chomlak: I just want to concur in the comments of the Honourable Member for River Heights (Mrs. Carstairs) and the comments of the Minister. I think it is a very, very valid suggestion.

I have recently taken to reading about the history of special needs throughout North America. It seems to me the trend in the United States has been to put more emphasis on the federal level of Government to assist in this area and, in light of that, it is a very, very valid suggestion. I am very happy to hear that the Minister has indicated he will bring up the matter at the Council of Ministers meeting because I feel it is a very valid point, given that we

are under 50 percent funding to special needs students in the Province of Manitoba.

I do want to clarify one comment of the Minister, though, and that is with respect to his comments to the Member for River Heights (Mrs. Carstairs) relating to discrepancies between how school boards categorize special needs students, and how the Department of Education categorizes special needs students, that I understand that to be an area of dispute between the various levels.

Mr. Derkach: Madam Chair, it is not an area of dispute, as such. It is an area where I guess the education community or the community involved in education at large has not come to grips with agreeing on the precise criteria for a special needs child and where that need begins.

For that reason, in some school divisions a school division may count 50 students as being those who have special needs, but under the criteria that we operate under as a department, Child Care and Development Branch, there may only be 30 or 35. So you have a division claiming for 15 more students than what are recognized by the department, and that is the kind of dialogue that is going.

I think what I am trying to point out is that there is a need for us to address that whole area of identifying more accurately who the special needs students are. Because of mainstreaming, this is all a fairly recent area where we are bringing into our school system a variety of students with a variety of problems and a variety of challenges before teachers and those who deal with them. For that reason, yes, there is room for dialogue. There is a challenge out there for us to address.

Mr. Chomlak: In this regard, does the Minister feel that some students are being left out as a result of this lack of dialogue?

Mr. Derkach: No, Madam Chair, I do not think there is any student in the school system right now that is knowingly being left out. I have to say quite confidently that we have very capable and very highly qualified people working in all areas of our school system throughout the province. They indeed do identify needs that exist in students.

Yes, there is the odd one that goes unnoticed for some time, and then we have a bit of a challenge before us to bring that student back and give that student a particular kind of programming he or she may need. But in a general sense, our teachers have been very good in identifying where their

special needs students are. By and large, students who have those needs are receiving appropriate programming.

Madam Chairwoman: Item 3. Financial Support - Schools (a) School Grants and Other Assistance \$524,154,400—(pass); item 3.(b) Miscellaneous Grants \$273,000—(pass); item 3.(c) General Support Grants \$16,878,800—(pass).

Resolution 33: RESOLVED that there be granted to Her Majesty a sum not exceeding \$541,306,200 for Education and Training, Financial Support - Schools, for the fiscal year ending the 31st day of March, 1991—(pass).

Item 4. Program Development Support Services \$20,582,800, 4.(a) Division Administration: (1) Salaries \$212,500.

* (2140)

Mr. Chomlak: I note in this subappropriation that there is another staff position related to the Separate Schools Accountability. Is this a separate position from the previous position we dealt with under, I believe it was Planning, Research and Policy Co-ordination?

Mr. Derkach: Can I ask the Member to repeat his question, please?

Mr. Chomlak: For the year ending March 31, 1991, there is a footnote 1 which indicates: "Increase of one position related to the Manitoba Federation of Independent Schools Financial Accountability." I noted in one of the other subappropriations that there was another staff year related to the financial accountability of the private schools. Is this a separate category and if so, what for?

Mr. Derkach: Madam Chair, there were two positions. One was for financial accountability and the other was for program accountability. The one noted here is for program accountability.

Mr. Chomlak: Just one other question, the activity identification of this department indicates, to identify priorities, et cetera. Can the Minister indicate what the priorities of this branch are?

Mr. Derkach: Priorities of this particular branch are to ensure that there is adequate support given to the various divisions within that branch and to ensure that, for example, there is the proper support given to the Curriculum Services area, the Native Education branch, the Child Care and Development branch, the Instructional Resources branch, the Inner-City Initiative branch, Manitoba Text Book

Bureau, and the Distance Education and Technology branch. In a general sense, the responsibility of the administrative part of this branch is to ensure that there is adequate support given to those divisions that it has responsibility for.

Madam Chairwoman: Item 4. Program Development Support Services (a) Division Administration: (1) Salaries \$212,500—(pass); item 4.(a)(2) Other Expenditures \$30,100—(pass).

4.(b) Curriculum Services: (1) Salaries \$2,690,800.00.

Mrs. Carstairs: First of all, I would just like to ask an overall question. During the recent election campaign, the Premier (Mr. Filmon) on behalf of his Government indicated a number of new curriculum initiatives, one in the area of environmental education, one in the area of substance abuse education, in addition to the curriculums which I already knew were being worked on at the Department of Education. How can the department be looking at the development of new curriculum when they have reduced the staff in the Professional and Technical department by some three staff years? Who are they going to have working on these new curriculums?

Mr. Derkach: As part of the High School Review, we indicated that we would be embarking on rewriting curriculum. That meant we would be rewriting curriculum in the whole high school area over the next four or five years, which is certainly a fairly aggressive and active kind of process to embark on. In doing that, Madam Chair, we are not simply going to be adding more staff to the department to do this, but there are ways in which we can either contract out or second positions if necessary to embark on those kinds of curriculum writing.

In the area of sustainable development, the environment, the War on Drugs or the drug abuse program, these are programs that are ongoing in the department right now. Curriculum is being rewritten for those areas. As a matter of fact, we have implemented some of the new programs already into some of our science curriculum and our social studies curriculum for students. So it is just a matter of carrying on with the task that has been started and to make sure that there is an emphasis on new curriculum in that area, that there is in fact some focus given to that whole area.

In terms of reducing staff, from time to time, a situation arises where one has to look at the priorities of a department and see whether or not we can better do the work that has been assigned to us and in these instances there are opportunities from time to time to be able to reduce staff, but it certainly does not mean that we are going to reduce services to our schools or to our students in this province.

Mrs. Carstairs: I think the Minister has to indicate that there is not going to be much funding in this particular branch to give contracts to other individuals. The actual funding for this branch has declined. It has not increased. Not only have there been staff cuts, but there certainly is not a block of funding.

I have no objections, quite frankly, to using outside people on a contract basis to come up with a curriculum if they have a particular specialty in a particular area. It makes sense because all the curriculum people on staff cannot be specialized in every single aspect of the curriculum. It is not possible. But the actual numbers are down. Where is the money coming from?

Mr. Derkach: Madam Chair, as I have indicated, from time to time one has to take a look at the efficiency and effectiveness of a department and see whether or not the work that you have assigned to that department can be done in a more effective and efficient manner.

I have to indicate that this is precisely the case here. It does not mean that we are going to reduce services to our schools in any way, shape or form. As a matter of fact, it simply means that we refocus some of the attention that is paid to some of the subject areas. Two of those subject areas, of course, will be the drug education program and the environment program.

Madam Chair, I could also indicate that over the last couple of years we have been fairly active in rewriting some curriculum. For example, just a month or so ago, I announced the new family life program, the revised family life program. That task has been completed. The staff that were involved in the rewriting and the putting together of that particular curriculum can now be assigned to different tasks. There is always an opportunity for tasks to be completed and other ones to be undertaken.

*(2150)

If the Member will note, some of the activity that we are doing this year involves such things as development of curriculum in the sciences K to 9, Social Studies 300, basic German in K to 12, math K to 8, business education 10 to 12, electronics 10 to 12, family life that I have just mentioned, the prevention of chemical abuse and the prevention of child abuse that we are working actively in.

Additionally, we have been able to assign one of our staff as a full-time environmental education consultant. It does not mean that you simply add more staff and you never get rid of programs or of situations that are not needed. You simply find better ways of doing things, more effective ways of doing things. I am happy to say that in this particular area, this branch, we were able to do that without causing any difficulty or any problem to the programs that need to be rewritten over the next period of time.

Mrs. Carstairs: I understand that the family life curriculum is available even though the colour of its cover has been changed from red, the normal colour for health, to blue at the Minister's request.

Can the Minister tell us if that curriculum will be available to the critics within the very near future?

Mr. Derkach: Madam Chair, if the Member for River Heights (Mrs. Carstairs) does not have a copy, I apologize. I was under the impression that copies were delivered to the critics. If they have not been, I will ensure they will have copies of them in the next day or so.

Just to go back on the curriculum side, Madam Chair, I have to say that there was \$191,000 of extra money allocated to this branch for doing the revisions to the High School Review. That is extra money that has gone into this area as well.

With regard to the question that was just posed, I would be happy to give the Member a copy in its new cover.

Mrs. Carstairs: Madam Chairperson, can the Minister tell me if this family life education program will be compulsory to all school divisions?

Mr. Derkach: Yes, Madam Chair, that is one of the policy changes that was made in that all school divisions must offer the program, but families and students still have the opportunity to opt out if there are personal values or family values that they object to that are different than what is being taught in that program.

Mrs. Carstairs: Well, finally we have a compulsory family life education in the Province of Manitoba. It is long overdue.

Can the Minister tell me if his curriculum staff are looking at including smoking in the curriculum involving chemical abuse? I particularly make reference to young females who are increasing the amount of smoking that they are doing by greater numbers than at any time in history. Rather than going backwards, as the overall population seems to be doing, teen-age girls between the age of 12 and 18 are taking it up in record numbers.

Mr. Derkach: Madam Chair, it is part of the program now, but I understand what the Member is saying. I think that what she is asking is whether or not there will be a renewed and perhaps a greater emphasis placed on this issue.

In providing a new curriculum indeed there will be a balance to make sure that this area as well is mentioned and perhaps some statistics and those types of things will be included because indeed we are finding that the society as a whole is becoming much more vocal about the hazards, even of smoke, in our lives.

Mrs. Carstairs: I would just tell the Minister and his staff a statistic that quite shocked me, and that is: if a young person has not smoked by the age of 18, chances are that they will not smoke by some 90 percent. We have to get them at the junior high level if we are going to prevent them from smoking. It is a critical issue.

I know it is dealt with to some degree in the Grade 5 and Grade 6 curriculum. It has not been generally dealt with in the junior high curriculum, but that is when they actually start. It is much more likely for them to do it in junior high than to have done it in five and six.

Can the Minister tell me, what kind of curriculum they are considering, with respect to child abuse, and if they would consider broadening that category to include family violence as a whole, not just sexual and physical abuse to children, but physical and sexual abuse toward women?

Mr. Derkach: Madam Chairperson, this entire area is covered in several sections of the curriculum as a child goes through the curriculum. It is not a curriculum of its own and it never will be—I should not say, never will be, but it is not at the present time. We do not have intentions of making this a stand-alone part of the curriculum. It comes in

several areas in the health program's course: in the K to 6 program in the personal safety area; in the Feeling Yes, Feeling No Program, for example. The health and family life program also deals with those kinds of issues.

They are very important issues, Madam Chair, and we understand those, but it is equally important to make sure that we present them in a proper way as well. You have to ensure that not only is the material and the information is there, but those who are presenting the information have to be well in-serviced to make sure that it is presented in an appropriate and proper fashion.

Mrs. Carstairs: The Minister is quite correct, in-servicing is very, very critical. Some of the universities in other provinces in their education faculties are now using a variety of words, some of which I do not like. At McGill they happen to call it moral education, and it includes the training of teachers for family life education, for chemical abuse, for drug abuse, that type of curriculum. I do not happen to like the word at the beginning of it; I think there is perhaps a much more appropriate word.

Is there any consideration being given, and I know that this is a university question, but surely the Minister of Education shares the concern of many of the teachers that many of them are very inadequately trained. In-services are simply not good enough to make them feel comfortable with the material that they are dealing with in some of these curriculum areas. Is there any consideration being given to encouraging the development of teachers specifically trained in this type of education patterning?

Mr. Derkach: Madam Chair, one of the difficulties in the whole area of teacher preparedness at the universities is that the programs that are taught are really within the faculty's responsibility and sometimes it is difficult to get change going in some of our faculties, but let me say that we have had a fairly positive working relationship with the Faculty of Education both at the University of Brandon and at our Winnipeg universities.

I am confident that we can make those changes in the teacher education programs. Although some of that is already included, I think the Member is right in that we need to do more of that kind of thing in preparing teachers for the future. In the High School Review we did mention that we would be consulting

with the Faculties of Education at the universities to ensure that they include areas such as this in their training of teachers, and especially in the whole area of counselling, where we also need some emphasis placed to the regular classroom teacher that is going to be going out in the future. The short answer to all of that is yes.

Mrs. Carstairs: A final question. I notice that the Social Studies 300 curriculum is being revised, and as the Minister knows, there are a great many young people who do not take Social Studies 300 for a variety of reasons.

One of the attempts, and I think it was a legitimate attempt by the department some years ago, to meet the needs of a multicultural Manitoba was to change the Grade 8 curriculum, and they went to a world history course. Unfortunately, my experience was that teachers tended, because they had the option of choosing whatever sections they wanted, to choose the ones in which they had been educated, so the emphasis tended to be on the European sections of the course. They tended to stay away from the section on India, they tended to stay away on the sections from South America.

Can the Minister tell us if there is any in-servicing going on or any course development going on so that teachers will feel that they can access more information about cultures that they have not had expressed to them in their educational pattern? Most of the people that are presently teaching, if they have had historical backgrounds, they have taken European history, American history, Canadian history, they have rarely taken it of any other part of the world.

Mr. Derkach: Madam Chair, I think it does not have to be said that there is need to rework a lot of our curriculum in our school system, especially in light of the fact that multiculturalism is becoming such an important part of our society, an important part of our province, and that we have to change the way we teach, the materials we teach perhaps to make sure that we include the make-up of our society in the province in some of the material that is taught in our schools.

* (2200)

At the present time the Grade 8 social studies curriculum is being revised, and I can indicate to the Member that we are going to be ensuring that this whole area of multicultural society in our province and indeed the study of those issues that the

Member raises is going to be covered. It is not going to happen overnight, we have to acknowledge that. It will be piloted first and then it will be implemented into the school system.

Mr. Chomlak: Madam Chairperson, I had intended to go through the 90 Strategies For Success in Manitoba High Schools, but I will limit my discussion to the Minister. Can the Minister outline for me what the next steps are in the process with respect to the Strategies For Success in Manitoba High Schools?

Mr. Derkach: Madam Chair, we have embarked on some areas of the Strategies For Success already but in a very minimal way, I might add. The next step in this process, now that it has been announced, is to first of all hire the co-ordinator. That is one of the first strategies in this particular document, to hire the co-ordinator and to put the steering committee in place and active so that then the implementation process can begin.

In the area of implementation of this, we have to ensure that there is an appropriate and a co-ordinated approach to implementing each of the strategies and that we have put a time line on when these strategies are going to be implemented. Then we have to embark on a series of regional meetings to explain first of all what this is all about and how it is going to be implemented, and then to start the whole process of consultation with the key players—that means everybody from school officials, superintendents, principals, teachers, parents and students, and also school boards—to make sure that everybody understands the process.

This is not going to happen over night. We will embark on this process as soon as the co-ordinator has been brought into place and has had some time to familiarize himself or herself with the process and then start the process of implementation.

Mr. Chomlak: Madam Chairperson, do I gather from the Minister's comments that these 90 strategies are not carved in stone and that there will be a dialogue which will allow for change in not only implementation but the actual strategies?

Mr. Derkach: Madam Chair, the strategies were written in a way where there is some room for flexibility with each strategy, and the strategies is a statement that indicates the direction that we as a Government intend to go with a particular issue. So there is flexibility in implementation. There is some flexibility in terms of massaging the strategy so that it becomes, indeed, a reflection of where we want to

go and the direction that we should be going in to improve the overall education in this province.

So, yes, there is give and take in the entire implementation. The strategies as they are laid out are policy statements in a general sense, and that is the way we are going to proceed.

Mr. Chomlak: Madam Chairperson, I have a test for the Minister. Strategy 58, page 23, indicates the department will establish a process by September 1990, to determine the extent and effectiveness of curriculum implementation, and that will include a submission of a report to respective school divisions on the status of curriculum implementation in that division. Has that been done?

Mr. Derkach: Madam Chair, although there was a time line put on that particular strategy, one of the things we did not envisage when we were going through this was an election that would kind of interfere with the process of putting in place a co-ordinator, the implementation steering team and so forth. So, although the strategy is there, and a lot of the work has been done with regard to this, that little September date will have to be moved somewhat to make sure that we still go ahead with this, but indeed the date will not be that as is spelled out in here.

Mr. Chomlak: Madam Chairperson, given that particular scenario developing, I am wondering if the Minister has considered without commenting on the validity or non-validity of testing of Math 300 and 301 in January, given the concerns expressed by school boards and others involved, will the Minister consider perhaps backing up that time line?

Mr. Derkach: We have been meeting with school officials around the province on this particular matter. As I indicated the other day to my responses, we do see that there is some need for adjustment as we go along in all of the strategies.

We have made some changes to the math exam; however, the math exam will go ahead. I met with the MASS executive, the superintendent's executive, and we went through the process with regard to the math exam. Yes, there could be a possibility of some challenges ahead of us in terms of the math exam. However, school divisions are feeling much more comfortable with it now, because they understand the process and the direction that we are going and what the math exam will be used for, and that we are not trying to penalize either the students or the teachers of the school in this

process, but this is a pilot year for the math exam. It will allow us an opportunity to perhaps set a better exam, if you like, maybe we will not need to set a better exam, but it will give us some insight into some of the pitfalls that we could avoid in the coming year as well.

Mr. Chomlak: Can the Minister indicate whether, if I understand this correctly, the assimilation of regional services into this division has resulted in the loss of any jobs?

Mr. Derkach: Madam Chair, the intent of combining the two areas, regional services with the branch, was not designed to try and eliminate positions in the department. I can indicate that there has been a retirement here, which has resulted in a reduction of staff, but nevertheless this move was not done with the only idea in mind to save staff years or staff dollars. Indeed, it is a practical approach to setting some priorities and reprioritizing and to establish a better working relationship between regional services, so that indeed we could deliver the services in a better way, I guess, is the bottom line.

* (2210)

Mr. Chomlak: Was there a study or studies done that prompted this particular change?

Mr. Derkach: No, Madam Chair, there was no particular study commissioned to see whether or not it would be a prudent move to combine these two branches. As a matter of fact, it was just that the work that was being done by these two areas was so closely related that it made sense to combine them into delivering services in a more appropriate way.

Mr. Chomlak: Madam Chairman, my question is in the next area.

Mrs. Carstairs: We have actually moved the Minister tonight to say that he is going to use the math exam as a pilot year, he said. He did say the words "pilot year." Can we now get a commitment to him that it will become a complete pilot year and the information derived from that will be used only by the Department of Education and will not reflect on the students in any way, shape or form?

Mr. Derkach: Madam Chair, the students are still going to write the exam as part of their year's work, year's progress if you like. I have always said that this was going to be a pilot year for the exam, because it would allow us to see what areas we could improve in terms of delivery of the exam, some pitfalls that we might avoid in the process. The exam

is just as important to the student who is writing it this year as it is to a student who is writing it next year.

There is no de-emphasizing of the importance of the exam. The purpose of the pilot is going to be for us to be able to see whether or not we can in fact deliver the exam in a more effective way in the following year. We are going to ask for responses from teachers who are going to administer the exams, the principals, the superintendents, and so forth. All of their input will be used to make some decisions about the exam in the following year.

Mrs. Carstairs: Putting it in the simplest terms: Is it going to form 50 percent of the student's mark?

Mr. Derkach: Madam Chair, it was never meant to be 50 percent. It was never announced to be 50 percent. It is 30 percent. That is the way it was announced in the beginning, and the mark will count for 30 percent of the student's work. What has changed is that the school division can now decide whether or not that school division wants to participate in this process. Indeed, if that school division participates in the process, that exam will account for 30 percent of that student's final mark.

If the division on the other hand does not wish to participate this year and wishes to set its own exams, then they can use that 30 percent as a divisional exam to count for the student's final grade. It is an option that is made available to the school divisions as to whether or not they will participate this year and especially, I guess, this semester when some have expressed their concern about it. In subsequent years there will not be that option. Every school division will have to participate.

Madam Chairman: Item 4.(b) Curriculum Services: (1) Salaries, 2,690,800—pass; 4.(b)(2) Other Expenditures, 1,683,100—pass.

Item 4.(c) Native Education: (1) Salaries, 624,600.00.

Mr. Chomlak: Madam Chairman, last year in the Supplementary Estimates the department indicated it would produce audio-visual and print support materials in five areas in English and Native languages. Was that done?

Mr. Derkach: There are three specific Native languages that are supported by the department: Dakota, Ojibway and Salteaux.

Mr. Chomlak: Last year's report also indicated that the department would undertake a review of the

English language support program for Native students. Was that done, and can the Minister table a copy of that review?

Mr. Derkach: The process of the evaluation of the programs was not undertaken by the department singly, it was undertaken by the various school divisions, and the department supported the school divisions in their review of these programs. There were several departments who participated. Some are doing it at the present time in one school division, Winnipeg No. 1. This whole process is done on an ongoing basis, but the other divisions that participated were Kelsey School Division, Portage la Prairie and Frontier.

Mr. Chomlak: To understand, for my own purposes, the various school divisions are undertaking that review with the support of the department, and that is an ongoing process?

Mr. Derkach: In the Winnipeg School Division, Madam Chair, it is an ongoing process. The other school divisions did the evaluation; it was, of course, completed, and then the results of that would be implemented. What has happened is that there have been changes that have been implemented as a result of the reviews that were conducted in these school divisions.

* (2220)

Mr. Chomlak: What jumps out at me from this particular subappropriation is the fact that this branch is charged with the responsibility of drafting a K to 12 Native education policy. I am looking at the wording in the Estimates process, and I am quoting, drafting a K to 12 Native education policy. That being the case, can the Minister inform me as to what the status of that is, what it entails, and what process he envisions in this study for implementation?

Mr. Derkach: Madam Chair, that area has not been embarked on yet. That is one of the areas that comes out of the High School Review Strategies for Success and will be worked on as a part of that program. I can also indicate that in the High School Review Strategies for Success, we also indicated that we would be bringing together the Native community to give us advice as an advisory committee. All of that has not been implemented yet, because the High School Review has not been embarked on at this point in time in terms of some of the strategies that are outlined within it.

Mr. Chomlak: Madam Chairperson, if we are looking for a Native education policy from this department, I am wondering where that will come out of and when it will emerge.

Mr. Derkach: I like the answer that goes something like this: in the fullness of time. That would be too cute.

Madam Chair, the department has been working constantly with the Native community, especially the Native Ed branch, to make sure that we are addressing the needs of Native students in the province. I can tell you that over the last couple of years some very positive work has occurred in that branch.

As we move into the whole area of high school review and the commitment to put together an advisory committee, I can assure the Member for Kildonan (Mr. Chomiak) that we will be bringing forth an education policy or a statement which will reflect the educational needs of the Native community in this province. It is going to require not just research, but it is going to require participation of the community itself, parents, students, and of educators of the Native community. We are projecting sometime in the next calendar year that we would be in a position to make that available.

Mr. Chomlak: Madam Chairperson, I agree with the sentiments expressed by the Minister. This was not a trick question. The Supplementary Estimates did say they would be drafting a K to 12 Native education policy. I have not filled out one full file card of questions on it, based on those wordings. The Minister has clarified it, and I agree, it has to arise out of very many areas. It is another one down the drain.

Thank you, Madam Chairperson.

Mrs. Carstairs: Yes, I just have the one question in this field. When the Minister and I were dialoguing about the problems of Native education, he indicated that there was a need for books, that there was a need for materials, yet there are no increases in Other Expenditures of this particular budget, even though the costs of books have been estimated as having increased by some 20 percent in the past year.

How is he going to provide additional materials for the support of Native education if the budget simply does not show any increases? The overall budget increase for this department is .5 of 1 percent. If one looks at inflation at 4.5, and that is probably a

conservative estimate, then we are looking at a 4 percent cut.

Mr. Derkach: Madam Chair, first of all, there is an allotment of money in this area for Other Expenditures which will be used for those purposes. What I was indicating in terms of a lack of materials is that it is not a lack of materials that we can acquire, it is a lack of materials that are available to acquire for this particular branch.

As the Native community will tell you, there are few materials that have been translated into some of the Native languages, as an example, to be used for educational purposes. That is where there is a real lack. We need to have Native authors who will come forth and write materials and that sort of thing that we can utilize as resource materials in our department.

There is not a whole wide range of materials that we can get from other jurisdictions, because this is a very unique situation in our country. I can tell you that some of the money from the High School Review will be channelled into this area as it is needed for acquiring those materials and even for writing materials if that is so needed.

Madam Chairman: Item 4.(c) Native Education: (1) Salaries \$624,600—pass; item 4.(c)(2) Other Expenditures \$193,000—pass.

Item 4.(d) Manitoba School for the Deaf: (1) Salaries \$2,609,800.00.

Mrs. Carstairs: I notice that in the Activity Identification there was reference made to protect professional development for teachers of the deaf, including increasing communication skills in American Sign Language. I was pleased to see this, because the deaf community has been requesting that type of change for a number of years. However, I notice when the reference is made specifically to the Manitoba School for the Deaf, they still speak, of course, about the Total Communication Program. Can the Minister tell us if American Sign Language is now going to be accepted at the Manitoba School for the Deaf as an accepted language for the children in that school?

Mr. Derkach: Madam Chair, it is important that we teach both languages at the School for the Deaf, because the ASL is sort of the language of communication whereas the signing is the language that materials are written in, if you like, and the language of instruction. Because of the availability of materials and because of the uniqueness of that

particular way of communication, students are actually taught both languages, if you like, to be able to communicate with their families and also to be able to express themselves in written form within the classroom. So, yes, we have endorsed the use of ASL, but we have to make sure that both are used at the School for the Deaf.

Mrs. Carstairs: Is the Minister saying now that American Sign Language is going to be used side by side with the other communication model, because as he probably knows, that was not the case just a very few short years ago when the use of American Sign Language was very much discouraged by the teachers at the Manitoba School for the Deaf.

Mr. Derkach: Madam Chair, it is a developmental process. The long-term objective is to use ASL, of course, but right at the present time we are not at the point of development where we can use that and use that language alone. Therefore, we are using both. At one time it was true that ASL was not used at the school. Now it is used by the students and is being taught, but there is no curriculum material available for that at this present time. For that reason, you have to be able to use the Total Communication Program as well.

Mrs. Carstairs: Can the Minister tell me if there has been a change in attitude as well in terms of an Affirmative Action Program to hire more and more hearing impaired teachers at the Manitoba School for the Deaf? There has been criticism by the community and by former students that there has not been that kind of focus. Therefore, for the most part, there has been a lack of role model for the children who themselves, of course, are hearing impaired.

Mr. Derkach: Madam Chair, that is a problem that we have not only in Manitoba but right through the country in that we do not have enough available people that we can hire. I can assure the Member that if we were able to hire someone who was of that Affirmative Action group we would do it immediately. It is just that the availability of people with those kinds of handicaps, if you like, and the skills that are required to teach children who have those disabilities are just not available that readily.

* (2230)

Mrs. Carstairs: Has the department considered any bursary program equivalent to the kinds of programs that we have established with regard to

speech therapy because we do not offer the program here in the Province of Manitoba? Quite frankly, you can receive that training in colleges in the United States. If you wish to be a teacher of the hearing impaired, you can do it at the Clarke School for the Deaf in Northampton, Massachusetts. You can do it in Gallaudet College, and there are a number of other institutions where that training is available.

Has the department considered offering perhaps a bursary a year with the attitude of getting that kind of skilled person to be able to teach at the Manitoba School for the Deaf?

Mr. Derkach: I know that if we were to embark on something of that nature, other jurisdictions across this country would probably be doing the same thing, and in many cases, much more richly than our province probably could afford because we have seen that happen in other areas, but this is a problem that is not just particular to Manitoba. It is one that you find nationwide.

There is a shortage of these types of individuals, and as soon as they are trained, I guess they can almost name their own ticket because there is such a vast shortage of them throughout the country, but it is something that is worthwhile considering in the future and investigating to see whether or not it is workable or feasible.

Mrs. Carstairs: Final question, as we move towards more and more mainstreaming, you hear more and more concerns raised by parents whose children attend the Manitoba School for the Deaf, that the school will close down at some time in the future. I have seen no indication that is going to be the case. Would the Minister put it on the record so we can point to the parents and say that is not in the future plans of the Department of Education?

Mr. Derkach: Madam Chair, I can give the Member for River Heights (Mrs. Carstairs) my utmost assurance that has never been considered by my department or by Government. As a matter of fact, there comes a time when one has to look perhaps at a facility and decide whether or not a facility needs a face lift, refurbishing, whether or not we can find perhaps a better facility of more adequate space and that sort of thing. In terms of closing the School for the Deaf, that has never been in the cards. I do not intend to embark on that approach in the near future. As a matter of fact, we see a need for the school to exist. It has provided a service that I think

we should be thankful for in this province, and I have no intention of seeing that institution closed.

Madam Chairman: 4.(d) Manitoba School for the Deaf: (1) Salaries \$2,609,800—pass; 4.(d)(2) Other Expenditures \$505,900—pass.

4.(e) Child Care and Development: (1) Salaries.

Mr. Chomlak: Madam Chairperson, the Supplementary Estimates of several other departmental branches contain the line item reference to grants or transfer payments to public schools, boards, agencies, et cetera. There is no such line exhibited in the CCDB, yet the branch is involved with expenditures for programs being delivered by school boards and agencies. Can the Minister indicate whether in fact such a line item should be included or where that particular expenditure is taken care of?

Mr. Derkach: In this particular section, Section 16-4(e), you have before you the costs associated with salaries, salary costs in delivering the program by the department. The grants that go to school divisions would be covered in a general grants listing to school divisions rather than broken out in this particular area. These are the costs that are associated with the Child Care Development Branch and the services that they provide for school divisions.

Mr. Chomlak: Madam Chairman, just for my own clarification then, consulting services provided by the branch to a school division would be composed—the costs inherent in that would be included in the salary. The Minister is nodding his head affirmatively.

Mr. Derkach: Madam Chair, yes.

Mr. Chomlak: Madam Chairman, is the Minister satisfied that staff complement in this area is adequate?

Mr. Derkach: Madam Chair, that is kind of a subjective question. I guess I could say, yes, it is adequate because we have added an additional two staff members to this complement. The services that are being provided to school divisions, in our opinion, are adequate. As more services are required, I guess we will address the problem as it comes before us.

Mr. Chomlak: I am wondering if the Minister could provide me with some kind of a breakdown of the staff of the CCDB by area of specialty and, if possible, a comparison to previous years.

Mr. Derkach: Madam Chair, I will table this, because it involves about three pages of documentation on who these people are and what they do. I will provide this by distributing it to the Members.

Madam Chairman: Item 4.(e) Child Care and Development: (1) Salaries. Shall the item pass?

Mr. Chomlak: No, Madam Chairman. I am just wondering if the Minister can—and perhaps it is not appropriate, but if he can give me the ratio of special needs teachers to total enrollment at the present time, the number of special needs teachers to total enrollment. I know, for example, that in 1988 it was 1 to 325 and it was to be reduced in the next several years to 1 teacher to 160 students. Does the Minister have any statistics in this regard?

Mr. Derkach: Madam Chair, that was not the ratio of service that was provided; rather that was the change in the formula in the approach that we fund school divisions for special needs students. That really has nothing to do with the number of students and the number of teachers there are.

Mr. Chomlak: I recognize that fact, Madam Chairman, but I will pass on that question at this point.

Madam Chairman: Item 4.(e) Child Care and Development: (1) Salaries 4,745,400—(pass); item 4.(e)(2) Other Expenditures 1,352,500—(pass).

With the committee's indulgence, can we just move back. I neglected to get line item 4.(d)(3) Less: Recoverable from Other Appropriations, the previous one, passed, 284,300—(pass).

Item 4.(f) Instruction Resources: (1) Salaries 1,103,300—

Mr. Chomlak: Madam Chairman, I am wondering if there has been any kind of inventory of computers in the system held by school divisions.

* (2240)

Mr. Derkach: No, Madam Chair. Those are owned and purchased by school divisions out of their own budgets, so the department does not keep an inventory of either of those items.

Mr. Chomlak: Does this branch provide any software to the school division?

Mr. Derkach: Madam Chair, no. Through the Distance Education Branch we do, but not in this particular area.

Mr. Chomlak: A final question, Madam Chairperson, how is the implementation of the federal copyright legislation proceeding?

Mr. Derkach: One meeting has taken place, and that meeting was held on October 15. There is going to be another meeting held. We have talked about costs to the school divisions, to the province, in terms of implementing this, and it is progressing positively, I would say. There will be another meeting in Toronto on November 22.

Mr. Chomlak: Are there any calculations on the effect of the implementation of this Act in terms of costs to the various school divisions?

Mr. Derkach: Madam Chair, there will be a cost to the school divisions, and that cost will be whatever final figure is arrived at. That cost will be appropriated to each of the school divisions around the province. We are looking at an approximate cost in the neighbourhood of \$1 per student.

Mr. Chomlak: I am not sure I understand what the Minister means by appropriating the costs around the province. Does that mean centrally the provincial Government will pick up that cost and reimburse the school divisions?

Mr. Derkach: No, Madam Chair, the cost of this will be prorated to all school divisions so that each school division will be paying its share. In other words, if the cost is 75 cents per student, then the province will—we will know how many students we have in the province, and each school division will pay its share in accordance to the number of students that school division has.

Madam Chairman: Item 4.(f) Instructional Resources: (1) Salaries \$1,103,300—(pass); item 4.(f)(2) Other Expenditures \$479,700—(pass); item 4.(g) Distance Education and Technology: (1) Salaries \$1,813,900.00.

Mr. Chomlak: Just one quick question, page 68 of the Supplementary Estimates—it indicates that this branch operates and maintains a computer communications network serving 400 schools and learning centres. What about the other 300 schools in the public school system?

Mr. Derkach: Madam Chair, once again, this is a fairly new area. We have, as the Member indicates, 400 schools that are now on a system, and there are new schools coming on constantly. I would say that over the next several years we will probably have a large number of our school divisions in this province involved in this whole process.

Mrs. Carstairs: It says in the objectives that you are going to deliver courses through the Independent Studies Program at the K to 12 level directly to school age and adult students. Does this mean that you are going to completely merge the departments of Correspondence Branch, now the Independent Study Branch, as well as the Distance Education and Technology?

Mr. Derkach: Madam Chair, they are part of the same branch now. Therefore, this whole unit will deliver the Independent Studies Program, which was formerly known as the Correspondence Program, the Distance Ed programming for the entire province. In that way it brings some unity to the delivery of programs via the traditional classroom method, and then they are all housed in one area, if you like, or in one branch of the department.

Mrs. Carstairs: Well, then can the Minister identify for me which of these groups of people have been cited to be moved to Winkler?

Mr. Derkach: Yes, Madam Chairperson, the Independent Studies Program is the one that has been identified for decentralization to Winkler. That is the former Correspondence Branch that is going to be decentralized to that area.

Mrs. Carstairs: Can the Minister tell us how many people are expected to be transferred and how many have indicated that they are prepared to accept that transfer?

Mr. Derkach: There are 21 positions that will be decentralized to Winkler. It is too early to tell how many are going to be prepared to go. I think as of this moment there is only one person that has indicated a willingness to be decentralized to Winkler.

Perhaps in the future there will be more coming forth. Once again it is the same kind of situation where family ties and establishment of homes and spouses working in other occupations sort of prevent some of these individuals from picking up and moving quickly.

Mrs. Carstairs: Madam Chairperson, the Minister has outlined a series of initiatives with respect to the Independent Studies Program, and I made some reference to it before. One has to do with the change, instead of having an entry at any given time in the academic year, there is now the need to identify that you wish to enter September-October or again February-March. The Minister has

indicated that he believes this will improve the success rate.

Can the Minister indicate what studies or what documentation he has that would indicate that students still studying on their own in an independent study program will do better because they can only enter twice a year instead of entering on an ongoing basis?

Mr. Derkach: Madam Chair, I would like to spend just a little bit of time on this answer if I might, because I think there is a little bit of confusion about what is happening in this whole area, and I would like to clarify it.

First of all let me say that the reason for some of the changes were to allow students to enter into programs, into independent studies programs, with some assurance that they would be successful. What we were seeing before was a number of something like 10,000 students entering the program with only 2,300 of them being successful. In other words, 7,700 students in this province were either not completing or failing the Independent Studies Program.

When you look at the amount of money that is being invested in this program and the devastating results we were getting at the end, it clearly indicated that we had to embark on some changes to the program. The reason for the two entry dates has been established because it is a seven-month program, it is not a two-month program. It was never designed to be a summer school program. However, students did attempt from time to time to enroll in the program, cram it in, in two months, and perhaps that is the cause for some of the devastating results that we were seeing.

* (2250)

The program is being phased in. The new approach is being phased in over a period of time, and it will allow department staff to consult with each and every principal and superintendent across the province and get their input into how we should proceed with the other phases of the Independent Studies Program.

Some of the initiatives that we embarked on resulted from a survey of principals that was done in 1987, where there was a clear indication that we needed to change the program, because it was not effective. It was sort of promoting students to fail, and there was a loss of resources and a loss of

student time when students enrolled in the programs.

I must indicate, too, that for non-school based students, there is still access to the correspondence programs on a continuous intake basis, so the limited entry is just for the school-based students.

The other change spoke to the whole area of a number of students there were per facilitator. We have changed that to ensure that there would be more contact with the facilitator and the students, so that there would be a greater degree of success as well.

So all in all the attempt is to make the program more results-oriented, if you like, or more positive in terms of the results that come out at the end, so that students could enter the program with some assurance that they would be successful.

The whole issue of a summer school program is another issue altogether and will be addressed in the future.

If there is a need for a summer school program to allow those students who may see themselves failing in the regular program to enroll in a program of this nature, it would be something that can be considered once the consultations have taken place with the various principals and the superintendents across the province.

I might indicate that we have had the services of a consultant hired to come up with a survey sheet, if you like, or a question-and-answer process, that will be embarked on with every principal and superintendent and, indeed, students will be consulted as well across the province. That process will be complete by mid-summer or early summer, and then we will have an idea of exactly what it is that we should be doing in this whole area of the Independent Studies Program.

Mrs. Carstairs: Madam Chairperson, the Minister indicates that the courses were never intended to be used for summer school courses. No courses are, but they are offered in summer schools. Math 300 is not intended to be a summer school course. It is written for a nine-month curriculum base from September until June.

The same thing with the correspondence course, if a child is not taking anything else other than the correspondence course, there is no reason why it cannot be completed in a shorter period of time in exactly the same way as the youngster who goes to summer school and takes only one course or only

two courses instead of a five or a six normal course load.

Now what the Minister has done has been to limit the options of a number of youngsters presently in the school system. He says he is going to review, and if there is a need for a summer school program or curriculum sometime in the future that he will look at it, but surely that is going a little backwards.

Why does he not leave the present policy in place until the evaluation has been done, so that there is not any limiting of the opportunity of a rural student? It is the rural student who will have the greatest limitation placed upon him or her, until such time as a new system can meet all of the needs as identified through this target group that the Minister is going to consult with.

Mr. Derkach: Madam Chair, when you take a look at the pathetic track record of this program, it indeed is a signal that all is not well, and changes need to be made, because we are really promoting students for failure by continuing on with the process that has been in place for some time. So changes are needed.

We are indicating that by early summer we will have some indication of what principals and superintendents feel about the program and how it is that we should change it. We will change the other phases of it.

The two entry dates that have been identified have been done because of the consultations that had taken place before and the fact that there was such a devastating failure rate, that there was a need to change something in the way that we were doing things. For that reason, the two entry dates were established.

What was happening in some instances, and not in all instances, was that a student may be kicked out of a course or may not want to perform well in a course, and then in early June or late May decides to enter into a correspondence program. There is no hope of success when you take a look at the failure rates that we have experienced. For that reason, there have been some changes made. The changes, I must say, have been fairly positively received. There have been a few instances where there has been concern, but by and large the changes have been accepted quite favourably. Once again, if there are changes that are required as we go along, we will be prepared to make them, but not without a real look into the results that occur,

because we are investing large sums of money, and the results just are not there.

I might indicate that rural students specifically, since this issue has been raised, have been questioned. It seems that they are accepting this policy quite positively in most of the province.

Mrs. Carstairs: Nobody is questioning that there does not need to be changes. If you have a 77 percent failure rate, there needs to be changes, but you also have a 23 percent success rate. What you have done in this particular initiative is to prevent the 23 percent who were accessing the program all year long, you have denied them that accessibility while you continue to look at the program. I mean, why not give them access until such time as the evaluation has been completed?

Let me give you a very specific example. There are children who enter into a program in Math 100. They are told they are not going to pass Math 100 when they go into the program. They do not pass Math 100. Their grades are 40 percent at Christmas. Their grades are 30 percent by March. Finally, everybody smartens up and says the kid is not going to pass Math 100. What has been happening is that that youngster has then enrolled in Math 101 by correspondence, passed that course with his colleagues in math in Grade 10 and has proceeded to go into Grade 11 without suffering any difficulty in being behind the rest of his classmates.

What we have done now is to say if you have not made up your mind by the middle of March, it is too bad, the next opportunity you are going to get is September. I do not think that is in the best interests of the students of the Province of Manitoba.

Mr. Derkach: Madam Chair, from the advice that I have received from the consultations that we have had, I have to indicate that I disagree totally with what the Member for River Heights (Mrs. Carstairs) is proposing.

If a student has failed or is failing 100 Math, then I think there is some responsibility on the part of the teacher, on the part of that student to know that, before the end of March, because you have April, May and June to complete a program. You have April, May, June, July and August to complete that program if you like, so it does allow some time.

By the end of March if a staff member and if the student does not know that he is not or she is not going to pass that program, then obviously someone in that school system is not doing their

task. What we are going to be asking teachers through this process is to make sure that there is a closer contact with the student in the program who is failing, and by the end of March a decision is going to be made as to whether or not that student should be enrolling in a correspondence program. In that way, I can assure the Member that we are on the side of the student in allowing that student a better opportunity to pass that program and to be successful, rather than enrolling in that program and then finding out that the program is just too extensive to cover in that period of time and so the student drops out or fails. When you look at the results, I mean, 77 percent either dropped the program or are unsuccessful in some shape or form, and that tells you that the process we are on right now is not correct.

* (2300)

We are going to look at this program that we have embarked on right now. There are other ways of taking programs as well, through teleconferencing in our small schools, distance education through the satellite, using the satellite program as part of it, which will allow students better access to many of our school programs and will allow them for better success.

Yes, we are going to consult in the next few months, as I have indicated, with all superintendents, and teachers, and principals, and make the alterations where they are necessary. If we need a supplementary program or a summer school program, we are not opposed to writing one and making sure that it is in place. That will take some time because it is a whole series of courses that you have to write programs for.

Mrs. Carstairs: Madam Chairman, the Minister seems to have forgotten that there are a great number of children in this province who are on a semester system. They would be very early into a curriculum by the 15th of March, not well along into that curriculum at all. You have also cut off some of their options in terms of being able to access that program because their entry by the 15th of March may be necessary. Obviously the Minister has decided that he is going to pursue this initiative.

I would just ask him to read the correspondence that he is receiving in his office, because I am receiving it in mine, and it is cc'd to him. Well, I have received six in the past week, so one can only assume that people are writing letters concerned

about the direction of this and the limits that it is placing on their children.

Mr. Derkach: Madam Chair, obviously there are different signals going to the two of us, and I would be pleased if the Member copied me with those letters because I have received a copy of one letter from a Mr. Yeo, I believe, who wrote expressing his concern about the program. My understanding is that his own superintendent was in favour of the program. So there is a mixed signal out there, for sure.

I can indicate that from the superintendents who we have met with to date, they are all telling us that the changes are good, and they endorse them. This is one of the positive things that is happening in the department, if I could indicate that. So, in the last meeting that was held with superintendents in early September, the indication was that this was a good move, a positive move, and one that we should continue with. Nevertheless, the consultations will go on, and if those concerns are there they will be addressed.

If the Member would share those letters with me, I can assure her that my staff will contact each of those individuals to ensure that they understand the direction that we are moving in and try and address their concerns.

Madam Chairman: Item 4.(g) Distance Education and Technology: (1) Salaries \$1,813,900—pass; (2) Other Expenditures \$2,632,500—pass; (3) Less: Recoverable from Other Appropriations \$85,000—pass.

4.(h) Canada-Manitoba Winnipeg Core Area Renewed Agreement - Education Development: (1) Grants \$480,800.00—

Mr. Chomlak: Can the Minister outline for me, Madam Chairperson, where the money comes from and who is responsible for administrating it?

Mr. Derkach: The source of funding, Madam Chair, is from three levels of Government: the federal Government, the provincial Government and the City of Winnipeg.

Mr. Chomlak: I take it from that response, Madam Chairperson, that this is exclusively part of Core funding.

Mr. Derkach: The money from the three levels of Government goes to Core. Then for the education programs, the province has the responsibility to implement those.

Mr. Chomlak: The department administers the programs outlined under the activity chart.

Mr. Derkach: Yes, that is correct.

Mr. Chomlak: Can the Minister indicate, if the Core Area Agreement is not renewed, what will happen to these programs?

Mr. Derkach: I would assume that if the Core Area Agreement is not renegotiated, then the programs would obviously have to cease, and there would be perhaps a different mechanism established to deal with the concerns in the areas in which this program has operated. There is no assurance of that. I would have to indicate that the programs would cease if the agreement is not renegotiated.

Mr. Chomlak: Do I take it from the Minister's comments that he is committing the department to continue this programming?

Mr. Derkach: No, that is not what I said.

We administer the program for the three levels of Government, but indeed there would have to be some agreement reached between the three levels of Government, or among the three levels of Government, to have some of these programs continue, because the funding has to come from some source.

If that agreement were not reached, then I would submit that there would have to be a new way of looking at some of the programs that are being delivered in the core area.

Mr. Chomlak: I guess what I am trying to establish from the Minister is that in the event that the Core Area Agreement is not renegotiated, is there any kind of a priority list of these 10 programs listed that the Minister feels that the department might pick up the funding for, directly, in the event of a non-renewal.

Mr. Derkach: That is a hypothetical question at this time, something that we really cannot respond to. We will have to see whether or not there is a successful agreement reached between the three levels of Government.

If there is not, at that point of time we would have to take a very serious look at the programs that are being delivered and also at the priorities that we would have in terms of which programs we would keep, perhaps which programs may have to be changed, and also which programs would have to be dropped. That is not an alternative we are looking

at at this point in time. We are still hopeful that there can be a renegotiation of the Core Area Agreement.

Mr. Chomlak: One of the difficulties of bringing in programs under a specific provision such as the Core Area Initiative is that very worthwhile programs get lost or get dropped when the initiative is not renewed, programs that are considered very worthwhile, which is one of the reasons why I was trying to find out from the Minister what programs or areas he might consider in the event—but I understand that it is hypothetical. Nonetheless, it is our position that perhaps some of these should be considered on an ongoing basis by the department.

* (2310)

Mr. Derkach: I am not denying that these programs are valuable. I think they are very good programs. Some very good things have happened as a result of the programming. However, we have to face reality that there is an agreement, that there was a sunset to these programs, if your like, to this agreement, that some alternative would have to be found, and that there was not any intention of that program to be an ongoing core funding approach to these programs.

It would be indeed a tragedy to lose some of these programs. Let us be realistic, because there was an agreement, and that agreement had an end to it. We have to either seek renegotiation of that agreement, or if that is not possible, we will have to seek other alternatives at ensuring that programs that are valuable of this nature can indeed be carried on or can continue in the future.

I think it is understood by every organization or every group Core Area is involved with that this is meant to be a short-term program. It is not meant to be an ongoing kind of approach to programming.

Mr. Chomlak: Just one final question, Madam Chairperson, the Early Childhood/Language Development program, does that entail pre-school year children, that is pre-age five?

Mr. Derkach: Madam Chair, I do not see a program like that in this list, and I am wondering if the Member is referring to the Abinochi Program?

Mr. Chomlak: Page 70, the 3) Early Childhood/Language Development program.

Mr. Derkach: There are several of these programs that the Member refers to operating, but these are kindergarten and up or nursery school and up type programs. There are a variety of them in some of

the city school divisions, but they are not a pre-school program. They are programs that include children from nursery school upwards.

Mrs. Carstairs: One of the difficulties, as the Minister has identified, is that initiatives such as this are short-term. Unfortunately, the need does not go away, the children do not go away in many cases, nor do the adults that benefit from the program.

The Government has, through the Core Area Initiative, accepted about a third of the costs for these kinds of programs as part of their commitment. Is there a commitment from this Government to continue to honour a commitment of somewhere in the range of \$160,000 to the core area for educational programming if the Core Area Renewed Agreement does not find itself renegotiated?

Mr. Derkach: The Core Area Initiative Program would be something that is negotiated through the Minister of Urban Affairs (Mr. Ducharme), but I can now indicate that we have no intent to renege on our commitment to that process, so that we are actively pursuing a positive settlement or positive negotiations for another round with the other two levels of Government.

I can indicate that our commitment is there. We find value in the programs that are being conducted, especially to these kinds of individuals who need them badly, and so I would have to say, yes, our support is there.

Mrs. Carstairs: I asked that question with a specific reference, because of the ACCESS programs in which the federal Government has unfortunately reneged on its commitment. The provincial Government has taken the attitude that they also will not enter into any agreements, even reduced agreements, based on their earlier contribution.

I gather from the Minister that is not to be the case here, that this money has been spent by the provincial Government, and that the provincial Government would be prepared to continue spending this money, in the core area, only to the level of their commitment.

Mr. Derkach: Madam Chair, I have said on many occasions, that our commitment to the ACCESS programs is solid as well, but these programs cannot be delivered by us alone. So, when an agreement ends, what one has to do is step back and reprioritize perhaps and set new priorities in terms of what we can afford to deliver, because obviously we will not be able to deliver programs at

the same level without the participation of the other two levels of Government.

So, yes, the ACCESS program people were given notice that unless a positive resolution can be arrived at between the federal Government and ourselves that the instructors would have their notices that the programs had terminated.

At that point in time, our Government would have to make some decisions about priorities that need to be set, and this is also the case in this particular area as well. We have made our commitment to this program also through the compensatory area, and there is a substantial amount of money going into this program through this vehicle as well.

Madam Chairman: Item 4.(h) Canada-Manitoba Winnipeg Core Area Renewed Agreement - Education Development: (1) Grants \$480,800—(pass); item 4.(h)(2) Less: Recoverable from Urban Affairs \$480,800—(pass).

Item 4.(j) Inner-City Education Initiative: (1) Salaries \$200,400.00.

Mr. Chomlak: Madam Chairman, without even getting into the ACCESS programs and the New Careers under appropriation 5., I do notice a trend in terms of the Native Education Branch, the Core Area Initiative, and now this program, Inner-City Initiative.

We have the same number of staff years, but we have actually less expenditures in this particular initiative. Can the Minister indicate why we have a decrease in expenditures?

Mr. Derkach: Madam Chair, this program operates through secondments, and so from time to time we second staff at various levels of salaries. For this particular year, the overall figure has dropped because the secondments have come in at lower salary levels than were present before.

* (2320)

Mr. Chomlak: I notice in the Activity Identification on page 73 that the department is developing strategies to enhance the academic program of aboriginal students. Can the Minister indicate what those programs might be?

Mr. Derkach: Madam Chair, there are a series of programs which are being conducted for Native education and for Native students, and the strategies that are being addressed are: curriculum adaptation for Native students, co-operative

learning, program development, and Native content in curriculum.

All of these strategies are being incorporated into the various areas or programs where these programs are being delivered. So there is not any kind of a strategy document that one can pull out and table. Instead we are taking a look at adapting the particular pieces, if you like, of curriculum to ensure that we are addressing the needs of Native individuals. However, as we go along we are hoping that this is going to result in some form of consolidated document that can tell us what approaches should be used.

Mr. Chomlak: Can the Minister indicate what the status is of the Ojibway Immersion Program, the early school years program, and the parent-child centres program?

Mr. Derkach: Madam Chair, with regard to the Abinochi program there is a meeting structured for tomorrow morning which involves the Department of Education and Training, it involves the Department of Family Services, the Department of Northern and Native Affairs and also the individuals who are involved in the program to try and resolve some of the issues that face the program right now, because they have run out of funding. We are not indicating in any way that the program is not valuable; it is indeed a valuable program and ways are going to be sought to ensure that the program will continue.

Mr. Chomlak: I am sorry, Madam Chairperson, was that the Ojibway Immersion Program that the Minister was just referring to? What about the early school years program and the parent-child centres program?

Mr. Derkach: Madam Chair, this department does not get into the funding of pre-school programs, for if we did that we would be setting a precedent whereby we would be funding all sorts of pre-school programs. I think I have made that clear time and time again in the House. That is still our position. We have indicated that there is an avenue whereby school divisions or groups can apply for funding through the school divisions by going through the compensatory funding route. I have made that known to the groups that are running these parent-child centres and I think it has been made very clear in all the media reports that have come out as a result of the questions that have been raised in that regard.

Mr. Chomlak: Does not this particular branch approve funds for programs that support the involvement of parents such as home and school reading program, early school years programs, and parent-child centres?

Mr. Derkach: Madam Chair, the short answer to that is yes, however that answer needs to be qualified, because we do not fund those parent-child centres that are social-services oriented, and those fall under the responsibility of another department, certainly not ours, and we have never funded parent-child centres of that nature.

Mr. Chomlak: I am having trouble with that qualified "yes" of the Minister. I am simply quoting from last year's supplementary estimates book as to what the department does, and simply put it says: continued approval of funds for programs that support the involvement of parents in the education process; examples are home and school reading programs, Ojibway immersion program, early school years program, parent-child centres.

Mr. Derkach: Those that have parent involvement are Core Area funded, Madam Chair, so there is a difference in the types of programs.

Mr. Chomlak: Still I am not sure I understand the answer, but I will make the point that provincial money does go into some pre-school programs, be it through the Core Area Initiative or otherwise.

Madam Chair: 4.(j)—

Mrs. Carstairs: I just have the one question. Can the Minister tell us how he sees the transfer of Distance Education and Technology for the Interactive Satellite Program—I am quoting from page 75—serving the needs of the inner city?

Mr. Derkach: There was interference here, Madam Chair. Can I ask the Member to repeat her question?

Mrs. Carstairs: On the bottom of page 75, it refers to the decrease in the amount which is some \$40,000 or 16.4 percent as a transfer of funds to Distance Education and Technology for the Interactive Satellite Program, which sounds like a lot of education verbiage, quite frankly, but how does the Minister see that that program is going to address the needs of the inner city, which is what this initiative was supposed to be?

Mr. Derkach: Two questions were asked—and I did not respond to the question asked by the Member for Kildonan (Mr. Chomiak), which I would like to do.

First of all, with regard to the Core Area programs, I have to indicate that we implement the Core Area programs, but that those programs have different terms of reference than the terms of reference of the department.

So that is why you will find that programs that have parent involvement will be funded by the Core Area and, yes, there is input of provincial money into those programs, but the terms of reference are different.

* (2330)

We have to be careful, because if we started to fund parent-child centres from the department, then we would be into funding all pre-school programs throughout the province, and that is not the mandate of the department. Regardless of who the Minister is, that is not the mandate of the department. Until that mandate is changed, we have to live in accordance with the mandate that is set forth for the department.

With regard to the question that was asked by the Member for River Heights (Mrs. Carstairs), let me indicate that from time to time there are some priority changes that have to be made, with regard to programs. So in our internal deliberations, it was determined that we needed to put money into a program that was of a higher priority level. That is why you are seeing a decrease in this particular appropriation and the money being transferred into an area where we think there is going to be much more effective delivery of programming to residents in the Province of Manitoba.

Mrs. Carstairs: The greatest problems in education, particularly literacy, have been identified as being in the inner city. Why has the Minister chosen to take from this initiative, which is very small to begin with, for Distance Education and Technology, which is certainly a worthwhile pursuit of the Government, but why from this particular initiative when the literacy issue is so very, very powerful and so much in need of funding?

Mr. Derkach: When we looked at these programs, we looked very carefully to see that none of the important programs that are being delivered in the inner city would be hurt in making this decision. It was also viewed that through Distance Education initiatives, we could speak to the literacy issues, which would be of benefit to the entire province. So for that reason that decision was made and from time to time those hard types of decisions have to

be made to try and make the best use of the dollars that we have. It was felt through our deliberations that there would not be any adverse effect to the programs that are being delivered in the inner city by diverting those funds into Distance Education initiatives which would also speak to the whole area of literacy.

Mrs. Carstairs: Madam Chair, perhaps the Minister can tell us—he has cut \$40,000 in grants and transfer payments—who was receiving those grants and transfer payments who will now no longer be receiving those grants and transfer payments?

Mr. Derkach: There was a two-year agreement for a transition worker at Marymount School and that program ended, and the money that had been in place for that program then was transferred to the area, to Distance Education.

Madam Chairman: Item 4.(j) Inner-City Education Initiative: (1) Salaries \$200,400—(pass); item 4.(j)(2) Other Expenditures \$74,600.00—(pass).

Resolution 34: RESOLVED that there be granted to Her Majesty a sum not exceeding \$20,582,800 for Education and Training, Program Development Support Services for the fiscal year ending the 31st day of March, 1991—(pass).

For clarification, it is the agreement that we move now to Item 7. Bureau de l'éducation française, item 7.

Mrs. Carstairs: I noticed that the task force on Francophone school governance is now underway, that because of the election and a number of other factors, the Minister had set a target date for March 31, presumably for some form of implementation for the academic year 1991-92. Does the Minister now still feel that task force can adequately report in that time frame, or does he anticipate it will take a longer period of time?

Mr. Derkach: I met with the task force members, last week I believe it was, and at that time, they indicated they were making very good progress. Although the report might be delayed by a few days, they were not anticipating a long overdue period of time for that report to be handed to me, so the time frame still stays.

* (2340)

I think we have to be flexible and give them one or two or three or four days from the deadline that has been set. So, we are expecting the report in by the end of May, and then we have committed

ourselves to the implementation of this report by September the following year.

Mrs. Carstairs: Just for clarification, you really are looking at it the '92 school year not the '91 school year. -(interjection)- All right. I would really like to get into a philosophical issue now, and it involves a number of school division issues. It might just as well be done here as well as any other section of this particular issue.

I know the Minister is very aware, as we all are, of the difficulties that occur within school divisions as they make the decision as to whether they will dual track, whether they will have French alongside of English, whether they will run a Français Program alongside a French Immersion Program, and the battles that ensue in the community as a result, sometimes upsetting people.

There is one right now in the Fort Garry School Division at St. Avila School, in which you see the breakdown very carefully. The school division has made a decision that they are going to remove the dual-track nature of the school and make it a single-track French Immersion.

The English parents feel that they have been betrayed by the school division. Interestingly enough, three of the trustees that represent that specific area all voted against it becoming a single-track school. The other six all voted in favour. That is what precipitated the change.

Has the Minister or the bureau developed any kind of help aids for divisions trying to make these very difficult decisions as to how they can work with community groups, how they can get the message across without creating a divisive type of atmosphere in the community, because when it occurs, it seems to do so much harm if it is kids against kids and adults against adults?

I do not think it encourages bilingualism or anything else which may be the goal of the bureau. Is there any kind of help provided by the bureau to divisions in that particular respect?

Mr. Derkach: Madam Chair, that is a difficult one to address as the Member knows, because that whole area of jurisdiction lies within the bounds of the school division. It is the school division that has to make the choice of what kind of education is going to take place in a given school. We, as a department, do not build French Immersion schools or dual-track schools. We build an educational facility; then it is up to the division to decide what type of

programming goes inside that school in terms of languages.

We provide assistance for curriculum, and we provide advice in terms of how curriculum should be implemented, but when it gets down to the political arguments, if you like, those types of decisions have to be made at the local level. If we, as a department, become involved in one of those situations, that means we are infringing on local autonomy, we are taking the responsibility away from the people who were elected to make those decisions.

Having said that, I think my word of caution to all school divisions has been that they need to listen to their constituents; they need to listen to the parents whose children will be in those schools, and they need to listen to a representative group of that community.

My understanding in the situation that the Member raises is that there was a verbal commitment made at some point in time in the past, and this has resulted in some of the difficulty that we are seeing now. Therefore, I think boards have to be careful in the way they do business with parents and that sort of thing. In terms of us providing assistance or advice, there are guidelines which school divisions have to follow in terms of closing schools, but there are none in terms of school divisions establishing dual-track or single-track schools at this point in time. I cannot provide a more elaborate answer than that.

Mrs. Carstairs: One of the arguments that is given for the changed designation from a dual-track to a single-track is that the children will become more proficient in the second language, i.e., français in this particular case, if, of course, they only speak French in the school yard, they speak French going back and forth to school, and they speak French at lunch. We all know that children will speak whatever language the children want to speak, but the educators will say it will be better if they speak this one language all of the time. Has the bureau done any studies or any evaluations, or does it have access to studies or evaluations which will prove one way or the other that children do better in a single-track school than a dual-track school?

Mr. Derkach: There is no specific study that I can point to that would show a study of what happens, tracking students through a single-track or tracking students through a dual-track school and then trying to evaluate them at the end of the process. There

are hints that would indicate certain things are happening when the students attend a dual-track school or a French Immersion school, but those are not definitive in any way, shape or form, and I would be reluctant to use those to form any decisions or as a basis for decisions of the department.

Mrs. Carstairs: Is there any research ongoing in the bureau to evaluate the performance of our students in either français programs or French Immersion programs and the level of their competency to speak French? We all know that there are a variety of questions asked. What kind of evaluations are we doing to measure that success rate?

Mr. Derkach: No, in a general sense there are no such studies that have been undertaken by the bureau with the exception of the curriculum assessment reviews that are now being done, which had not been done in the past. We embarked on those, and now we are doing the various subject area assessments as they are done in the English-language schools. With specific regard to the question that the Member asks, no, there have been no studies conducted by BEF.

Mrs. Carstairs: I should ask the Minister if he minds if I kind of cover the whole department instead of going by appropriation. All right.

Several years ago my daughter applied for a bursary to study French in the Province of Quebec. Many children do this. She was denied the bursary, which was fine. We paid the money, sent her down to Jonquière to take the program. We wanted her to take the program. When she arrived there, they said to her, "Oh, you do not have to pay anything, there is lots of bursary money available," and promptly wrote her a cheque for \$3,500 which was the cost of the program, as if the money seemed to come from goodness knows where.

Have you had that experience with other students, and if there is more money available than we seem to know about, how can we then access it for more Manitoba students so that they can take these programs to increase their proficiency in the other official language?

* (2350)

Mr. Derkach : I think the explanation for that particular situation would be that somewhere on campus there was someone who withdrew from the program, which freed up some bursary money and therefore was allocated to this particular student. That is an ongoing situation when students enroll in

a program, receive a bursary, and then opt out of the program. There are monies freed up for students who may be coming there who have not had a bursary allocated to them.

In addition, we are continually addressing this whole situation through our office languages program's negotiations with the federal Government, and staff from the Bureau do consult with their federal counterparts, to ensure that we get every possible support from the federal Government for programs of this nature.

I might also indicate to the Member that two years ago we reinstated the teacher bursary program, which had been cut before. I think that this is an important program; many of our teachers do take advantage of it, and it is a very positive program and we certainly do not intend to cut that one.

Mrs. Carstairs: I have to indicate that I am asking a question for the Honourable Member for St. Boniface (Mr. Gaudry) here, and he too is concerned about decentralization, but he wants to know when the Bureau de l'éducation française is going to be located in St. Boniface.

Mr. Derkach: I have to be honest, I have never thought of it, but there is nothing wrong with that thought at all, and perhaps, sometimes in the future. I have never thought of that kind of an initiative to this point in time, but I am prepared to talk about it.

Mr. Chomiak: I just have a couple of general questions.

Firstly, is there a strategic plan or strategy for the Bureau and if not, is it subsumed in the overall department's strategic plan?

Mr. Derkach: The strategic plan is one that is for the whole department, and it is one that encompasses general themes, if you like, and then the action plan for implementing the overall strategic plan would be, not siphoned off, but divided up amongst the various departments that it would pertain to.

There is not a specific strategic plan that stands alone for the Bureau de l'éducation française.

Mr. Chomiak: I assume that the provisions in the ninety or so odd strategies in the Answering the Challenge, will also be implemented by the Bureau with appropriate revision where necessary.

Mr. Derkach: Absolutely, the Bureau would be involved in the implementation of the strategies and also the input into the strategies, not only in their area, more specifically in their area, but also in

general areas that might have something to do with French programs in schools.

Mrs. Carstairs: Just on Appropriation 16-7 with respect to Library and Materials production, I have to say I was somewhat shocked at the decrease in Other Expenditures, which I assumed was the purchase of additional library materials. Can the Minister explain why there has been a \$30,000 cut in this particular allotment for this fiscal year?

Mr. Derkach: This \$30,000 that the Member refers to was specifically taken from productions or co-productions with the Canadian Broadcasting Corporation. These were the production of ten programs of 15 minutes each on Francophone artists which were done in '87, '88 and '89. We had 20 programs of 15 minutes each on careers and occupations of various Francophone Manitobans. These are the kinds of programs that they were doing. What we are finding is that there is more and more material available on these kinds of programs from a variety of other producers, so that it is not necessary for us to be in this kind of production of materials any longer. There is indeed a fairly broad basis of materials available which are produced by other sources and are available to us, so that we can now use this kind of funding for other initiatives within the department.

Mrs. Carstairs: Can the Minister of Education tell the Chamber if there has been any consideration given to compulsory language training at the senior high school level? As we look at High School Review, and as we look at more of an academic diploma, has there been any consideration given to insisting upon the instruction of a second language. I have to say that I was quite surprised this year in looking at university programming at Western that they require a second language if a student wishes to graduate with Honours in English, Drama and a number of other academic pursuits. Queen's University did not have the same kind of requirement, but I know many of our high school students drop their second language in Grade 10 or drop it in Grade 11, the numbers in Grade 12 are very, very small.

It was not unusual in the past to have it as an absolute requirement for entry to university for an academic person. If you wanted to graduate with a junior or senior matriculation, you had to have French or German or whatever the second language was. Has there been any consideration

given to that in the High School Review for the academic program?

Mr. Derkach: No, not at this point in time. In dividing up the day, if you like, between various program areas in high school, we found that, by increasing the language arts requirements either in French or English in the high school, what we were doing was also limiting the number of optional programs that students could take. For example, at the Senior 3 and 4 levels, by the time you put in all of the required courses that a student must take, there is not a great deal of time allowed for these extra courses that the student may want to choose from. That is one of the reasons why that has never been considered.

A language program has always been an optional program, but I would have to say that most students who are taking 300 programs will take a language program if they are going on to university and especially if they are interested in a Civil Service kind of career in the future.

I have to say that in our Grades 4 to 9 areas, that subject is considered as part of the core curriculum and so all students are exposed to it at that level, but it is in high school where it becomes an option.

Mrs. Carstairs: I think you will find, Mr. Minister, that the numbers are decreasing that are lasting all the way to Grade 12. More and more of them are dropping their language, and I do not know what kinds of additional requirements are being required by universities across the country. I was shocked to see at least one university my daughter was applying to that said if she wanted to do Honours English, she had to have three years of university French, which means that since she insisted on dropping her French in Grade 12, she was already at a disadvantage. Many of our students are not aware of the kind of new requirements that are being put by universities—does not always filter its way down to the high schools.

Mr. Derkach: Madam Chair, one of the areas that concerns me is the one that the Member speaks about. She is quite right that some of our students find themselves at a fairly distinct disadvantage when they go abroad to study or if they go to other provinces to study, but one of the even more severe problems within our province right now is that we do not have the availability of immersion programs outside of our major centers.

As a matter of fact, I have three young fellows at home who should be taking a French Immersion

program and I would like for them to take it, but we just do not have that kind of availability of programming. So I guess, as a province, we have to say what is more important? Should we be putting our emphasis into the high school area and enforcing this, or should we be trying to make it more available to students outside of the urban areas?

That has sort of been my thrust. I have asked my department, the Bureau, to make sure that school boards are aware of how they can implement French Immersion programs in rural areas and whether we can encourage some of them to go that route, because there has been some expressed desire by parents to have these kinds of programs, and it is just a matter of resources and being able to spread those resources around.

(Mr. Marcel Laurendeau, Deputy Chairman, in the Chair)

Mr. Deputy Chairman (Marcel Laurendeau): 7.(a) Division Administration: (1) Salaries \$100,100—pass; (2) Other Expenditures \$15,900—pass; (3) Task Force on Francophone Schools Governance \$200,000—pass.

(b) Curriculum Development and Implementation: (1) Salaries \$809,000—pass; (2) Other Expenditures \$177,100—pass.

(c) Educational Support Services: (1) Salaries \$241,200—pass; (2) Other Expenditures \$66,800—pass; (3) Assistance \$1,136,200—pass.

(d) Official Languages Programs and Administrative Services: (1) Salaries \$393,300—pass; (2) Other Expenditures \$422,000—pass; (3) Assistance \$471,000—pass.

(e) Library and Materials Production: (1) Salaries \$404,600—pass; (2) Other Expenditures \$137,400—pass.

Resolution 37: RESOLVED that there be granted to Her Majesty a sum not exceeding \$4,574,600 for Education and Training, Bureau de l'éducation française, for the financial year ending the 31st day of March, 1991—pass.

The hour now being twelve o'clock, committee rise.

Call in the Speaker.

IN SESSION

Madam Deputy Speaker: The hour being twelve o'clock, this House is adjourned and stands adjourned until 1:30 p.m. tomorrow (Wednesday).

Legislative Assembly of Manitoba

Tuesday, November 13, 1990 - 8 p.m.

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