



First Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba
DEBATES
and
PROCEEDINGS
(HANSARD)

39 Elizabeth II

*Published under the
authority of
The Honourable Denis C. Rocan
Speaker*



VOL. XXXIX No. 32B - 8 p.m., MONDAY, NOVEMBER 26, 1990

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
MALOWAY, Jim	Elmwood	NDP
MANNESS, 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

Monday, November 26, 1990

The House met at 8 p.m.

CONCURRENT COMMITTEES OF SUPPLY SUPPLY—FAMILY SERVICES

Mr. Deputy Chairman (Marcel Laurendeau): Order, please. Will the Committee of Supply please come to order. This evening this section of the Committee of Supply meeting in Room 255 will resume consideration of the Estimates of the Department of Family Services.

When the committee last sat it had been considering item 3.(d)(1) Salaries, \$1,128,700, on page 61 of the Estimates book. Shall the item pass?

Hon. Harold Gilleshammer (Minister of Family Services): I have some information to share here before you start.

On November 20 the Member for Osborne (Mr. Alcock) requested a copy of one of the service agreements my department has recently concluded with several external agencies. I am pleased to provide the two Opposition Critics with a copy of our service and funding agreement with the Children's Home of Winnipeg. I would add that Children's Home has agreed to the tabling of this document.

The second item, the Member for Wellington (Ms. Barrett) asked that I provide her with a list of positions filled by waivers of competition. I wish to advise the Member for Wellington that for the 1990-91 fiscal year to date there has been a total of 10 waivers of competition.

These waivers are as follows: a payroll supervisor and two payroll clerks in the Human Resources Services Branch; an assistant director for Financial and Administrative Services; an administrative secretary in the Westman Region; a social worker in the Thompson region of Rehabilitation and Community Living; an Income Security counsellor and a financial worker in Winnipeg Income Security offices; an assessment clerk for the Income Supplement Programs, and an administrative secretary in Planning and Research.

Five of these waivers were to accommodate redeployed workers affected by decentralization. Two of the waivers were related to the permanent

appointment of affirmative action target group members already employed in term positions. The remaining three waivers related to a lateral transfer for compassionate reasons, the hiring of a social worker in a hard-to-recruit region of the province, and an appointment following a period on acting status. All of these waivers of competition met Civil Service Commission criteria.

The Member for Osborne (Mr. Alcock) requested that I provide him with information indicating the portion and composition of the 1989-90 Manitoba Developmental Centre per diem rate, which is contained in the Estimates of the Department of Government Services. I can advise him that the 1989-90 per diem rate of the Manitoba Developmental Centre, which totals \$110.67, includes the amount of \$10.84 funded by Government Services. The Government Services portion accounts for 9.8 percent of the total rate, and is comprised of the following: staffing costs for 31 staff years, \$5.31 per day; operating costs, \$3.21 per day; capital cost, \$2.32 per day, giving a total for Government Services of \$10.84 per day.

On November 16, the Member for Osborne requested that I provide him with information on the number of staff employed by agencies receiving grants from the Department of Family Services. I can advise the Member that 1990-91 funding to external agencies covering the major service areas of the department is estimated to provide support for approximately 4,400 equivalent full-time staff years. Many of these positions are filled by persons employed on a part-time basis and therefore the actual number of individuals employed would greatly exceed the 4,000 positions.

I wish to caution the Member that this figure represents an approximation as it excludes a number of general purpose grants for which specific salary funding is not included. Also excluded are several areas of support such as direct payments by the department to part-time, non-Civil Service staff and respite care and other support services and payments directly to transportation providers.

In response to the Member for Osborne's (Mr. Alcock) request for the total cost of data processing

in the department, I wish to advise him that the information processing expenditures for the Department of Family Services totalled \$1,841,383 in the fiscal year '89-90. In 1990-91 it is estimated the department will spend \$2,050,400.00.

* (2005)

Mr. Reg Alcock (Osborne): Mr. Deputy Chairman, I believe I had also requested from the Minister a copy of the Treasury Board authorizations for these special rate allowances that he thinks there was a schedule available for line staff in assessing rates. I am wondering when that will be forthcoming.

Mr. Gilleshamer: There were a number of other requests, and we are getting that information as quickly as we can.

Mr. Alcock: Mr. Deputy Chairperson, I would ask that the Minister proceed with that request as soon as possible so we have that information when we are moving into the Child and Family Services section of the Estimates.

I had last time requested and the department provided an update in the figures in the Community Services Annual Report, '88-89. The '89-90 figures are available, and they had updated this report at least for the rehab and Community Services. I am wondering if it would be possible, if I was to return this copy to them, to get the rest of the book updated?

Mr. Gilleshamer: We will try and provide that information as soon as possible.

Mr. Alcock: I will make this copy of that report available because it already has some of the updating in it, and if the rest of it could be done that would just keep it all in one place. I thank the Minister for that.

Beginning now, I would like to talk a little bit about the service and funding agreements relative to the organizations that are funded under this portion of the budget of the department. Is it the department's intention to bring these agreements into being with the various groups that are funded under this section?

Mr. Gilleshamer: Yes.

Mr. Alcock: I understand, and actually I just have one question that comes out of the service and funding agreement with Children's Home. I note as I flip through the various pages that the payroll levy is funded at 2.25 percent, and I am wondering if that

is now the department's policy, to fund all agencies at that level.

Mr. Gilleshamer: No, that is not our policy.

Mr. Alcock: Why would the department have a different policy for different agencies?

Mr. Gilleshamer: Mr. Deputy Chairman, these have been the subject of negotiations on a case-by-case basis, and some of these are currently under discussion.

Mr. Alcock: I would be interested in understanding how we arrive at this position. I mean it seems clear certainly in other departments where the Government provides substantial funding that they fund the agencies at the level at which they are expected to pay the tax. Certainly in this agreement which you have just tabled, it shows exactly that—that 2.25. Now I do not understand why we would have a policy that applies to some people and not to others. I mean, what possible rationale could there be for that?

Mr. Gilleshamer: Most of the agencies in the past were funded on a global basis. We are revisiting the agreements and the funding with numerous agencies; the funding and service agreements, we are looking at funding for specific items.

Mr. Alcock: Well, Mr. Deputy Chairperson, if I can share with the Minister a bit of wisdom shared with me by a wise old man in this department, one Con Butler, who has been dealing with budgets since the earth cooled, globes are based on something. Globes are built on some calculation of the expenses that an agency incurs. They are not just plucked from the air. So why is proper funding for the taxes that these agencies have to pay to the Government not included in that globe the same way as they are with other agencies?

* (2010)

Mr. Gilleshamer: The global budgets that existed with some of the agencies had strayed away from specific items. The original intent in many cases through the years was lost. We are trying to return to the funding of specific items.

Mr. Alcock: Then is it the intention of the department to fund these agencies fully for the cost of the payroll tax?

Mr. Gilleshamer: As we get into the service and funding agreements, we will be reviewing that situation.

Mr. Alcock: I am asking for a policy here. It says in this agreement that you are doing it with this agency. Is it your intention to have different levels of support for different agencies on something as simple as the payroll tax?

Mr. Gilleshamer: We are reviewing the whole issue of the payroll tax.

Mr. Alcock: I understand that, and you are signing agreements and putting forward budgets for this year. Is full funding for the payroll tax included in these budgets where payroll tax applies under Rehabilitation and Community Living programs?

Mr. Gilleshamer: In this particular estimate, under Rehabilitation and Community Living the funding has been of a global nature.

Mr. Alcock: Am I to understand from that answer that for large organizations—I am looking at ones with budgets in excess of a million dollars, the Indian and Metis Friendship Centre, Pelican Lake, Canadian National Institute for the Blind, Society for Manitobans with Disabilities—that these organizations are all receiving the support for the payroll levy at less than the level that is charged?

Mr. Gilleshamer: Those agencies that you referenced have been dealt with in terms of budget on a global basis. Within that they make their decisions.

* (2015)

Mr. Alcock: When these agencies are funded by Government and Government makes a change of policy that results in higher cost directly to the agencies, Government's policy in other areas is to compensate them for that. I am asking the Minister, is that now your policy?

Mr. Gilleshamer: We are reviewing that in the context of the entire agreement.

Mr. Alcock: Is that a yes or a no?

Mr. Gilleshamer: Well, I can tell you that as we review this we will be taking that into consideration.

Mr. Alcock: Well, Mr. Deputy Chairman, we are reviewing the Estimates now in this committee. So let me ask the question directly. The Canadian National Institute for the Blind, will they be receiving support for the payroll levy at 2.25 percent the same as Children's Home?

Mr. Gilleshamer: As I indicated, in this particular division they have been allocated global budgets. As we move into the service and funding agreements, we will be looking at those budgets line

by line and taking that into consideration in terms of their entire budget.

Mr. Alcock: Let us stay with the Canadian National Institute for the Blind for a moment. When the payroll levy was increased from 1.5 percent to 2.25 percent, did the Canadian National Institute for the Blind receive an increase in their grant to offset that new tax, yes or no?

Mr. Gilleshamer: In reference to CNIB, we are going to have to go back to the global funding that was given to them and bring back that information on what basis that funding was arrived at.

Mr. Alcock: Well, I would like to ask the Minister then to do that for every facility on the Rehabilitation and Community Living grants program that pays payroll tax. I mean, it is fine to talk about a global budget, but when you make a global budget, you build it on some sort of basis; when you offer funding year over year, you are not simply picking a number out of the air—or at least I would hope you are not—sort of randomly coming up with a figure. You are coming up with a figure based on something.

Mr. Gilleshamer: As I indicated earlier, the budgets, many of them have strayed from the specific items when they were first put in place and the original intent was lost within the global budget, but we will bring back whatever information is available for the Member.

Mr. Alcock: Now let us talk about your policy. You are now going into negotiations with these agencies as you have with Children's Home of Winnipeg, and you are signing agreements. Is it your policy to support these agencies at the level at which they are taxed?

Mr. Gilleshamer: In the past, the Child and Family Services agencies received 1.5 percent towards the payroll tax. I have indicated to you and I have indicated in the past that we will be taking that into consideration in their total budget picture.

Mr. Alcock: Mr. Deputy Chairman, I am not asking about a specific agency or even a specific category of agencies. I am asking about a departmental policy. In the same way, when I speak to the Minister of Finance (Mr. Manness) and I ask what the departmental policy is relative to universities or hospitals, he says the policy is to support them at X amount. What is the policy in this department?

Mr. Gilleshamer: Yes, when these budgets—if you go back to the early '80s, 1982-83, the 1.5 percent was added to the global budget. The

amount was simply left at that amount, and the global budgets were adjusted year to year. Now that we are changing from the global budget to the service contracts, we are going to be reviewing that. We will take it into consideration as we review the budgets for the agencies.

Mr. Alcock: I appreciate that. I understood that the first time the Minister said it, so I am simply asking, what is the policy you will be following when you are taking that into consideration? Will it be to treat all agencies who deal with Government equitably and equally, or are you going to have a different funding policy for this for different agencies? It sounds like a simple question.

* (2020)

Mr. Gilleshamer: The policy will be reviewed. We will be taking that into consideration when we set these service and funding agreements. In due course, we will be announcing those.

Mr. Alcock: Perhaps the Minister can tell me why it is not possible to give me a simple answer to that question. Surely, if you are negotiating something new, you have done it with some agencies and it is a policy that is consistent with other sections of Government, why can you not simply say that is the policy for the department?

Mr. Gilleshamer: We have given you a copy of the service and funding agreement for Children's Home that has been finalized. When we get to the point of finalizing agreements with other agencies, given their support, we would release that information to you at that time.

Mr. Alcock: Mr. Deputy Chairman, I am not asking for information from specific agreements right now. I am asking for a policy. Surely this department has got a policy on whether or not it pays the payroll tax, and if it does not have a policy, why not?

Mr. Gilleshamer: The service and funding agreements are under negotiation, and we have to take into consideration the global funding that these agencies have had in the past. When we arrive at a finalized version, we would be prepared to share it with the Member.

Mr. Alcock: Will support of the 2.25 percent level be one of the things you will be taking into consideration?

Mr. Gilleshamer: We will take the payroll tax into consideration when we review the funding for these agencies.

Mr. Alcock: Will you be following general Government policy?

Mr. Gilleshamer: Mr. Deputy Chairman, there has not been a general Government policy with all departments. The Department of Health, the Department of Education have gone a certain direction. Other Government departments have not done so. We will be reviewing the global funding and the service and funding agreements. We will be making a change from global funding to looking at their service and funding agreements and taking this into consideration in that context.

Mr. Alcock: Can the Minister give us some estimate of the total cost of the payroll tax to the 4,400 approximate employees who are funded by this department?

* (2025)

Mr. Gilleshamer: We do not have that detail with us tonight. It is something that we can try and provide to you at a subsequent meeting.

Mr. Alcock: For these grants that are provided under Rehab and Community Living programs, can the Minister tell us why these grants have not kept pace with the rate of inflation?

Mr. Gilleshamer: Where these have been general purpose grants, they have been held at the same amount. Where Government has been buying services, they have increased at the rate of 3 percent.

Mr. Alcock: Leaving aside the arguments for the moment about whether or not CPI is an adequate measure of inflation in this city, CPI is running at 4.8 percent. The Government has recognized that at least it is somewhere around 4.5 with their increase on the income security side. Why was a policy decision taken in this department not to give agencies who were providing needed services for the department a similar increase? Why was it decided to impoverish these agencies by 1.5 percent?

Mr. Gilleshamer: The Government has made a decision, and this is across Government, to give a 3 percent increase to external agencies. I think that the Member recognizes that we have a responsibility to the taxpayers of the province. There are many increases over and above that within this department, as well as departments such as Education and Health. As far as external agencies are concerned, there was a general across Government increase of 3 percent.

Mr. Alcock: The Minister acknowledged, when we were looking at the expenses for his own office, that there are annual increases in certain operating costs—heat, light, water, paper, pencils, et cetera—and yet by policy has chosen to fund all these agencies at a level below that which they need to function. It is my belief, and perhaps the Minister can correct me if I am wrong, that these agencies have been funded below the rate of inflation for several years, not just for this year.

* (2030)

Mr. Gilleshamer: I would point out to the Member that operating costs within Government were held at a zero percent and agencies were asked to do the same thing.

Mr. Alcock: Would the Minister provide for me a list of the year-over-year operating increases for the past three years for all of the agencies on this—that policy number, not agency by agency, but that policy number? You say it is 3 percent this year. What was it last year, and for the two years previous to that?

Mr. Gilleshamer: Again we do not have that information with us. We will provide it for the Member.

Mr. Alcock: Just referencing the Minister's earlier remark, I would remind him also that in his department he has all sorts of budgets where he is able to move sizable amounts of cash from one line to another, deferring capital changes, saving some money from the combining of the two ministries, and in other ways. We will go into some of those in some detail, so I do not think he should be too terribly proud of his zero percent increase, when he gave himself a 13 percent increase in his operating costs in his own office.

Mr. Gilleshamer: I would point out to the Member that the total expenditures in the Minister's office have not changed. The Adjusted Vote for all expenditures was \$98,300 and it is similar this year.

Mr. Alcock: Since we are pointing things out, his Supplies and Services line has gone up 13.39 percent. When I asked the Minister about that he said, it is because there are annual increases in the costs of operating.

So if your Supplies and Services line has gone up 13.39 percent presumably other people's costs have gone up some fraction of that. Yet you give that to yourself but you choose not to give it to the agencies who have a lot smaller budgets to play with.

Mr. Gilleshamer: I would like to point out the error of his ways to the Member, that there was money reallocated within that department, but the total expenditures are identical this year compared to last year.

Mr. Alcock: Yes, that is true, but on your operating lines, which reflect the costs of doing business, you give yourself sizable increases, 25 percent in Transportation, 13.39 percent in Supplies and Services.

Those are things that the agencies are going to have to pay too. They are going to have to pay gas. They are going to have to pay rent. They are going to have to pay heat. Yet you do not seem to be able to take that into consideration when you look at their budgets.

Mr. Gilleshamer: The Member is factually incorrect. We spent the identical amount in that area, that is a zero percent. We have reallocated within the department just in the same way that agencies can reallocate within their various budgets.

Mr. Alcock: I would suggest to the Minister that it is an awful lot easier for the Minister, with a \$565 million department, to find those few extra dollars than it is for an agency that is getting \$320,000 and expected to provide services.

Mr. Gilleshamer: Yes, certainly when there are larger budgets you are moving larger figures around, but the fact remains the Member is still wrong. There has not been an increase in that budget line. There has been a reallocation from within.

Mr. Alcock: A reallocation in response to costs that the Minister, himself, said were the result of increased operating costs, increases of 13 percent and 25 percent.

Mr. Gilleshamer: We have shown the Member that the expenses in that area are identical. There has been some adjustment from within. There has been no budget increase in that particular area.

Mr. Alcock: Anyone with a calculator can figure out what the increase has been in the Minister's office.

Can the Minister—I am sorry. Did you want to respond again, or can I go on now?

Mr. Gilleshamer: If you would like me to respond I can. The cost was \$98,300 in '89-90 and it was a similar amount in the year ending 1991. There has

been some reallocation from within, but the bottom line is identical.

Mr. Alcock: I would like to refer to one of the grants on the grants list that was tabled, the Independent Interpreter Referral Service, which I note has gone from 1989-90 of 144.9 to 148.5, reflecting the 3 percent increase that the Minister has referenced.

There was a request from this organization about an interpreter position. Am I to infer from this that position will not be supported?

Mr. Gilleshamer: There have been numerous requests for changes and staff additions. In this instance, there is a small change in the budget and the request was not acceded to.

Mr. Alcock: It is unfortunate then that the ministry has not seen fit to support this position. There was a great deal of time and energy spent training individuals to be deaf interpreters and one individual in particular was trained to be a deaf interpreter. That is the individual is deaf, interpreting for deaf people from other cultures and locations.

It is interesting that when the agency approached the department, the department responded—I would not say definitively because they recognized that the final decision was in the hands of the Minister, but they were certainly encouraging. The agency on that basis has kept this person on, and found funds and done some fundraising to support this individual.

I did not know as of today whether or not that position was to be supported. It just strikes me rather unfortunate that the department does not let agencies know earlier when their requests are not going to be supported.

Mr. Gilleshamer: A number of the requests of course were subject to the tabling of this budget. Hopefully in the new year we will be back on a proper budget cycle and this information can be relayed at an earlier time.

Mr. Alcock: Am I to understand then from this entire grants list that there are no volume increases allowed?

* (2040)

Mr. Gilleshamer: There has been a 3 percent increase across the board. There have been no volume increases.

Mr. Alcock: So then all of the agencies funded here are expected to hold the line on services and not provide any additional services over last year than

they were providing this year. What happens to the difference? What happens to people who require additional services from the Society for Manitobans with Disabilities?

Mr. Gilleshamer: We have asked the agencies to accommodate people in the best way they can with the funding that has been provided.

Mr. Alcock: Has this been satisfactory to the agencies you are supporting?

Mr. Gilleshamer: I think the Member probably is aware that there is just a tremendous demand right across Government for increased expenditures, whether it be for additional hospitals or additional highways. Government can only do so much in one year.

We have a general increase in our budget of 8.2 percent and some of the agencies in some of the areas of course will receive more than that, but we have given a 3 percent increase to these external agencies and value the work they do, and ask them to do the job with the funding that has been assigned to them.

Mr. Alcock: If I recall correctly, although the Hansard is not out yet, the last time we met on Thursday, the Member for Wellington (Ms. Barrett) requested a quantity of information having to do with types of cases and type of response by region and some of these service provision areas and some of the residential care areas. I am wondering if that information has been made available?

Mr. Gilleshamer: We tabled four or five requests at the beginning of the Session this evening. That was the information that we were able to bring forward. We are aware that there are some more requests for information, and we will be bringing that forward as soon as possible.

Mr. Alcock: Is it possible for the department to estimate when that will be available?

Mr. Gilleshamer: We hope to have some more information available for you tomorrow.

Mr. Alcock: Will that include this information?

Mr. Gilleshamer: We will attempt to have that information for you tomorrow. Failing that, it will have to be left till the next time we meet.

Mr. Alcock: Can I have an assurance from the Minister that, should we move past this point in the Estimates, that once that information is tabled, we would be able to reopen this for some questions once the information is in front of us?

Mr. Gilleshamer: As we did the last day, we would make every effort to accommodate the Member, and answer his questions.

Mr. Alcock: I wonder if the Minister can talk to us a little bit about his responsibilities under part 2 of The Mental Health Act?

Mr. Gilleshamer: I am recently aware that there are some difficulties with that legislation and have asked the staff to review it, and I understand that there may well be a court challenge to the Act.

Mr. Alcock: What are the difficulties that the Minister has been made aware of?

Mr. Gilleshamer: I can say to the Member that I am aware that there are a number of clients who are institutionalized, and that there is a general authority to place people in institutions, but that there exists no appropriate appeal procedure. This is an issue that, as I indicated, I became aware of recently, and we are asking the department to take a look at it.

Mr. Alcock: Is there work being done to amend the Act or to change the Act?

Mr. Gilleshamer: Yes, we are in the initial stages of doing some work on that.

Mr. Alcock: Is it just with reference to the court challenges that are before us, or are they looking at a broader change to the Act?

Mr. Gilleshamer: Our first objective is to look at the potential court challenges, and in time we would have to look at the whole Act.

Mr. Alcock: There was some discussion, and I believe there is a report coming out about the involuntary sterilization of people who lived at the MDC, or who are under the supervision of this department. Can the Minister comment on that?

Mr. Gilleshamer: Yes, I am aware of the story that was in the press on the weekend. The report that the Member asks about, I believe is from the Justice Department, the Law Reform Commission. That report, I believe, has just been out.

Mr. Alcock: The people who are judged to be mentally handicapped are placed under the care of the Minister, directly or indirectly through his agents. Can the Minister tell us how many people have been subjected to sterilization while under the care of the Minister, say in the last 10 years?

Mr. Gilleshamer: None.

Mr. Alcock: Then did this case not occur?

Mr. Gilleshamer: I believe the case dates back some 20 years, and I believe you asked for the last 10 years.

Mr. Alcock: So then there has been no activity of this sort of people in care of Government over the last 10 years?

Mr. Gilleshamer: I am informed with all the knowledge assembled here that there are no cases that we are aware of.

* (2050)

Mr. Alcock: I believe the Member for Wellington (Ms. Barrett), has a couple of questions.

Ms. Becky Barrett (Wellington): Mr. Chair, I would like to know if the Minister has an update on some of the material following the Wiens Report that the previous Minister stated was being undertaken. I am referring to a press release that was issued November 14, 1989. The Minister talks about that departmental and group home staff have begun work on several other major recommendations including clarifying roles and responsibilities of community residents, and the range of services they should provide; developing staff training and educational resources required by group homes to provide a range of service; determining appropriate levels of funding for the delivery of services and the training of staff and improving training opportunities by establishing a two-year diploma program for developmental service workers; and re-establishing the advanced studies in mental retardation program.

I wonder if the Minister can provide us with an update on those things that were being undertaken?

Mr. Gilleshamer: I would indicate that these are the following areas where substantive action has been taken consistent with the recommendations of the Wiens Report. First, an implementation of a series of rate adjustments to stabilize the community resident system. This series of increases has resulted in an additional \$2 million paid to the operators of these services. Implementation of a training initiative for boards and staff of agencies providing services for mentally disabled adults, and implementation of an equitable administrative funding structure for agencies providing residential and day services for mentally disabled adults.

Ms. Barrett: Could the Minister give us some more background on the training initiatives that he just referred to?

Mr. Gilleshamer: We have a rather lengthy list of programs where training was taken, and the number of agency and departmental people involved in the cost of it. I can give you some examples. Emergency first aid, there were 500 in each program, that and the cardio-pulmonary resuscitation. Non-violent crisis intervention, 258 staff. Workplace, safety and health, 44 staff. Convulsive disorders, 46 individuals. Values and attitudes, 108 individuals. Day program staff, 700 people. Orientation for foster care, 26. Building trust relationships, 25. There was a conference on supported employment. There were board training, effective supervision, computer training, and others. In total there was an expenditure of over \$225,000 related to the development and training activities.

Ms. Barrett: Were these training programs provided by departmental staff or were they contracted out, or was it a combination?

Mr. Gilleshamer: Yes it is a combination. Some of those were provided by department staff. Some were provided by St. John's Ambulance and others.

Ms. Barrett: I am assuming these were for people who are the front line caregivers with the exception of board development and those other kinds of training. Was any of this \$225,000 used to provide replacement costs for times when these individuals would be away from their jobs? How did these individuals take these courses? Were they on their own time, or were the agencies just without their services while they were taking these courses?

Mr. Gilleshamer: The individual agencies, I am told, accommodated that within their own agencies and budgets. We picked up some of the transportation and some other per diem expenses.

Ms. Barrett: Can you give an update on the two-year diploma program for developmental service workers and the re-establishment of the advanced studies in the mental retardation program?

Mr. Gilleshamer: The developmental services worker course is being offered at Red River, and the class has just started in September in their second year of the course. There is a group of 20 that are taking it.

Ms. Barrett: Just one final question then. I assume that the advanced studies in mental retardation program has not been re-established at this time.

Mr. Gilleshamer: It is still in the discussion stage. It has not commenced.

Mr. Deputy Chairman: (d)(1) Salaries \$1 million—

Mr. Alcock: Okay, just looking at the Financial Assistance line of this final appropriation. The indication is that the additional funding provides for a price increase volume and full-year costs. Can the Minister tell us at what rate the price increase is calculated? Is that also in the 3 percent?

Mr. Gilleshamer: Generally, there was a 3 percent increase on salaries.

* (2100)

Mr. Alcock: Salaries 3 percent. What about basic support?

Mr. Gilleshamer: I could give the Member some additional information. Three percent increase for salaries for agency staff, \$131.6 thousand for community residences for 15 clients reaching the age of majority, \$437.9 thousand for 70 high-needs clients to receive additional care and support funds, \$196.6 thousand for 33 clients in supervised apartment living, \$109.1 thousand for six night staff and community residences to improve safety, and \$146.1 thousand for 32 additional day-program clients.

Mr. Alcock: So I take it those are the volume and full-year costs, but the price increase—I presume that relates to a unit of service increase—is that just the 3 percent for salary or are there other elements factored into that?

Mr. Gilleshamer: Just the 3 percent for salaries.

Mr. Alcock: So the operating increase would be zero?

Mr. Gilleshamer: Yes, it was zero percent on operating, but there were some minor accommodations made.

Mr. Alcock: How does the department justify a zero increase on operating?

Mr. Gilleshamer: That was consistent with the approach taken by Government towards agencies right across Government.

Mr. Alcock: So are we to assume that the 3 percent referenced earlier in the grants list is just for staff, that there is no operating increase at all in this?

Mr. Gilleshamer: I wonder if you could repeat that question for us.

Mr. Alcock: When we were speaking earlier, we talked about the three percent increase on average to the entire grants list, and the Minister then said

that was the annual operating increase. Are we to assume that three percent is strictly for salaries?

Mr. Gilleshamer: Yes.

Mr. Alcock: In the break of the detail on page 63 of the Residential/Support there is a line there, Additional Care and Support. If memory serves me right there was a special rate line in the budget previous to this. Has it been folded in with that Additional Care and Support?

Mr. Gilleshamer: Yes.

Mr. Alcock: So once that is taken into account, is there a year-over-year increase in that line?

Mr. Gilleshamer: Yes, there has been an increase in that line.

Mr. Alcock: How much?

Mr. Gilleshamer: The increase goes from \$5,570,800 to \$6,424,500.00.

Mr. Alcock: No, I can read those numbers, Mr. Deputy Chairperson, but the Minister indicated that blended into that had been the special rates, so that when you take out the amount of money that was really a change in how you account for it, that increase from \$5.5 million to 6.4 presumably is not as large as it shows here. I mean, if you had an amount that you were formerly budgeting for separately for special needs, and you have now included into that line, the increase looked substantial. The question is how much new money is there in that line, or is it simply the reallocation of the special rate funding to that line in the budget?

Mr. Gilleshamer: The increase for Additional Care and Support was 572.9 thousand; the increase for special rates is 280.8 thousand.

Mr. Alcock: In the Supervised Apartment Living line, what is that expected to cover? What costs are covered under that expenditure?

Mr. Gilleshamer: That amount covers staff supervision per client.

Mr. Alcock: Then housing costs would be covered?

* (2110)

Mr. Gilleshamer: The housing costs are covered by the Social Allowances Program.

Mr. Alcock: That staff supervision costs, would that include travel, transportation, staff training, administration, those kinds of costs related to the hiring and supervising of the staff?

Mr. Gilleshamer: I am told it covers staff training and supervision only.

Mr. Alcock: Okay, I am prepared to pass this.

Mr. Deputy Chairman: Item (d)(1) Salaries \$1,128,700—pass; (2) Other Expenditures \$266,700—pass; (3) Financial Assistance \$26,948,500—pass; (4) External Agencies \$9,228,200—pass.

Resolution 49: RESOLVED that there be granted to Her Majesty a sum not exceeding \$73,184,900 for Family Services for the financial year ending the 31st day of March 1991—pass.

Item 4. Child and Family Services (a) Administration: (1) Salaries \$206,100.00.

Maybe we will just wait for a minute until the staff comes up.

Order, please. I would ask the Minister if he could please introduce his new staff who just came up to the table.

Mr. Gilleshamer: Seated at the table is Jim Bakken, the Acting Assistant Deputy Minister. With him is Ron Fenwick, the Child and Family Support Acting Director.

Ms. Barrett: Mr. Deputy Chairman, this is I think we would all probably agree the meat of the Estimates process this year. It would appear that every year there is one area that is currently in front of people's attention. I think this year Child and Family Services for a variety of reasons is in that category.

I would like to ask some questions at the beginning about the administration as it is stated in the Estimates on pages 68 and 69. First, as I have asked in most every other area, could I get a description of the professional, technical and managerial categories? What professional background do the people bring in this division?

Mr. Gilleshamer: The educational background—a Master's in Social Work, a Master's in Education and senior accounting.

Ms. Barrett: Could the Minister tell me of which background is the managerial staff here?

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

Mr. Gilleshamer: A Master's in Education.

Ms. Barrett: I am again trying to get where all of these divisions fit within the larger division. From what I understand, just from reading this, these, particularly the managerial and professional-technical areas, relate mostly to the

staff who work with a Child and Family Support Division, or do they work—for whom do they work, or with whom do they generally work?

Mr. Gilleshamer: This is the overall administration for the entire division. They work with Family Conciliation, Child and Family Support, Children's Special Services and Family Dispute Services.

Ms. Barrett: I am trying to get more specific. These people work directly with the staff who are in those other divisions at that level rather than meeting directly with the agencies or the program delivery, or are they involved in that as well?

Mr. Gilleshamer: Yes, they do both. They meet with the agencies, but they also provide direction for the staff and the department.

Ms. Barrett: This division then, it would appear to me is the area that, not only does the technical stuff, but also either develops and/or filters the overall policy to the other divisions and the agencies. Is that accurate?

Mr. Gilleshamer: Yes, the Member is essentially correct that they are responsible for developing policy, but also for the overall management of staff.

Ms. Barrett: They develop policy. Do they develop policy based on ministerial directives or do they have the responsibility of developing the policy?

Mr. Gilleshamer: I would indicate that it is a dynamic process, that they certainly take a lead role within the department, but Research and Planning and the Deputy Minister and other staff also are involved in setting policy.

* (2120)

Ms. Barrett: So there are connections both laterally and vertically?

Mr. Gilleshamer: Yes, that is correct. Ultimately policy is set by Government, but they certainly have a part to play in the development of that policy.

Ms. Barrett: It also states in the Activity Identification that this division co-ordinates the development and implementation of short- and long-term program plans. Could the Minister expand on that and share with us what some of those plans are, or if not the specific plans, what the areas are that are being worked on in that regard?

Mr. Gilleshamer: Yes, there are both long-term and short-term policies and programs that they are involved in. For instance, the service and funding agreements was one of the items. The funding

model for the shelters was another. There are other issues that came up, the use of firearms and the protocol surrounding the reporting of firearms. There has been an issue of Satanism that has been in the paper where a certain amount of research is done.

Ms. Barrett: So, in the research component, members of this division would actually—for example, on the funding model for shelters, would there be research done on what other provinces have instituted in their shelter funding models or just the financial costs associated with various models, or would it be a combination?

Mr. Gilleshamer: They would be the group that gives direction to family disputes in terms of funding models that may be used in other provinces and looking at the various aspects of the service and funding agreement that was drawn up.

Ms. Barrett: Would this group make the determination or do they make recommendations on something like the funding model or putting together service and funding agreements? What is their role? Is it pretty much research and planning and providing recommendations, or do they actually have the ability to say, this is what you will do?

Mr. Gilleshamer: Yes, they make recommendations for the service and funding agreements and document the pros and cons and eventually that decision is made by Government.

Ms. Barrett: On the service and funding agreement, I know I am going back and forth a bit, but I am trying to get a sense of how it all fits together. On, for example, the service and funding agreement with Children's Home, what was the role of this administrative division in that? Did they bring a recommendation to the Government, and, if so, what form did the Government take in this particular area?

Mr. Gilleshamer: They played a major role in the working out of the details of the service and funding agreement with Children's Home and making the recommendation, but then other areas of the department would also be involved in finalizing that contract.

Ms. Barrett: This group meets with, not only the other Government or Family Services—like Family Dispute Services staff—on the funding model, but would they also participate in meetings with and discussions with individual agencies or individual groups who are affected by their decisions?

Mr. Gilleshamer: Yes, they were directly involved and involved with other agencies through these branches that I listed before, such as the Family Dispute and Family Conciliation.

Ms. Barrett: What is this administration role, or wherever is involved? What is their connection with the Child and Family Services agencies. In particular, do they work through the Child and Family Support Division like they would work through the Family Dispute Services Division?

Mr. Gilleshamer: Yes, that is correct. On the shelters, they worked through Family Dispute, and with the other agencies, Child and Family Services agencies, they worked through Child and Family Support.

* (2130)

Ms. Barrett: How would you describe the relationship between Child and Family Support or the administration and, for example, Child and Family Services agencies in the sense of arm's length external—I am trying to get at the degree of autonomy I guess, or control that the Government has through the administration and the Child and Family Support Divisions over Child and Family Services agencies.

Mr. Gilleshamer: Well, the agencies, of course, have their own board that is duly constituted to make decisions, but in terms of the Child and Family Services agreements, these service and funding agreements, they are very involved with the agencies on formulating those.

Ms. Barrett: On one level it is a financial arrangement, but on another level, given the fact that finances are one of the main things that make these organizations function or not, it does have programming implications, but technically the connection is financial?

Mr. Gilleshamer: They are related both in terms of program and funding in that they set program standards, and also are involved with the analysis of purchasing services.

Ms. Barrett: You say they set program standards. Could you give me an example of some of those program standards? Is that ratios of staff to caseload, or is it more global than that?

Mr. Gilleshamer: The type of standards or guidelines they set are somewhat diverse, how often, for instance, workers will see children, the standards that foster homes have to meet, protocols

around adoption issues, issues around abuse and the reporting protocols. So there are quite a number of standards.

Ms. Barrett: These program standards, do they have the effect of law, or are they guidelines and things that are used in the analysis of the program and how it is functioning?

Mr. Gilleshamer: They are guidelines.

Ms. Barrett: So these guidelines then, for example, how often workers see children or the foster home standards, they have a financial implication when dealing with these agencies, I would imagine, because of the—if you have set a standard of a worker seeing a particular type of child or a child with a particular type of problem a certain number of times a week or a certain number of times a month, then that has implications for the amount of children or the severity of the problem that worker can see?

Mr. Gilleshamer: Yes, the guidelines certainly direct the activities that the workers are involved in, that the agencies are involved in.

Ms. Barrett: Could the Minister tell me whether any of the people in the administration division have been involved in the meetings that I understand have been ongoing with the various Child and Family Services agencies over the last while?

Mr. Gilleshamer: Yes, a number of these people have, including the Assistant Deputy Minister.

Ms. Barrett: Is this division looking at making any changes in some of the standards or any changes in what they look at in providing information about money that is coming to the agencies based on the concerns that have been raised by the agencies themselves?

Mr. Gilleshamer: Yes, that is an ongoing activity of this group to look at the things that are happening in the agency and it is an ongoing function.

Ms. Barrett: My understanding from responses to questions I have asked in the House and other items, that the way the Government sees the role as it were of the Government with the Child and Family Services agencies No. 1, and the same thing with the other divisions is that the Government provides the funds within currently a balanced budget, but the agency, its board of directors and staff have the responsibility to determine how those funds are allocated. Is that a correct assumption?

Mr. Gilleshamer: Yes, generally what you have indicated is true. The Government is the funder for

these agencies, but the boards have been quite independent in determining the direction that the agency is going to take. As a result we have found that agencies operate in different ways from time to time as far as interpreting the services that they provide. The one caveat I suppose we would put on that is that when agencies are in a deficit position they are in a position where they have to work with Government to okay some of the expenditures that take place after they have been in that deficit.

Ms. Barrett: Working with the Government to okay some of the expenditures, does that mean that there are situations with some Child and Family Services agencies now, all of whom I believe are in a deficit position, that they are not able to make certain expenditures, or is there a ceiling on certain expenditure items that these agencies are being faced with?

Mr. Gilleshamer: Yes, when they are in a deficit position they have to get approval on certain expenditures and some of them may not be approved.

Ms. Barrett: I assume that these approvals are for monies that are being spent or being asked to be spent in fiscal '90-91 even though we do not have an approved budget yet, they are obviously operating on information that was given to them I believe in June. A letter went out saying this will be your allocation. Some of these agencies are not able to operate within those monies so what is happening is that the Administration Division is saying, okay, you have to get approval for these expenditures.

Mr. Gilleshamer: Yes, that is correct. It is the Child and Family Support branch that works with the agencies in this respect.

Ms. Barrett: This Administration Division does not have anything directly to do with that authorization or nonauthorization of expenditures?

Mr. Gilleshamer: Yes, it too is involved in supervising the decisions that are made by Child and Family Support.

* (2140)

Ms. Barrett: Just to get the organizational chart accurate here in my own mind, if a—oh, okay let us take another example then, the Eastman shelter. When they had their financial problems and were forced to close, did they speak to the Family Dispute Services people or did they speak to people in the Administration Division?

Mr. Gilleshamer: When the board made that decision to close the shelter they talked with the Family Dispute Services, but certainly the issue came up to the Administration.

Ms. Barrett: Was that issue coming up to Administration only for information or did Administration then participate in those discussions that were ongoing with the Eastman shelter?

Mr. Gilleshamer: Yes, they participated. They had a serious funding problem that had to be—that Government intervened to provide additional funding so they could reopen and provided the funding for them to have stable funding for the remainder of the year.

Obviously in a serious situation like that it did come up to the Administration.

Ms. Barrett: I would just take a bit of exception to the verb form—or the tense used—"had" a difficult funding situation. I think more accurately—"continue to have" a difficult funding situation.

Mr. Gilleshamer: I think we are talking about more than grammar here.

They realized tremendous increases in their funding over the two years. Management of the shelter obviously had decisions to make and did make that resulted in additional expenditures. The shelter did close for a period of time, and still more money was added to the situation to try and stabilize it. A service and funding agreement was signed whereby they would be able to operate to the end of the fiscal year.

Ms. Barrett: Is the Administration branch involved with the ongoing budget-making process? I know on the part of Child and Family Services agencies—and I am sure on the part of all the agencies to one degree or another who are involved in this overall division—are they directly involved with talking to these agencies and giving them recommendations or directives?

Mr. Gilleshamer: Yes, they are involved in ongoing discussions with the agencies.

Ms. Barrett: I guess what I am really trying to get at is the role of the budget, the role of Government, and the role of the agencies, and through that, or as a part of that, the administration. You stated earlier that this division worked with the Government to okay some of the expenditures for these Child and Family Services agencies that were overextended.

Again, I am getting down to grammar here, perhaps, or semantics, but you will forgive an old English major. They work with the Government. I guess I am suggesting that what I as someone on the outside sees is not so much a working with the Government, as the Government has a policy, stated or unstated, and the agencies are coming to the Government, coming to this division, and coming to Family Dispute Services or Child and Family Support and saying your vision, your goals, your objectives, cannot be reached within the parameters of the financial commitment that you are willing to give to these organizations.

I guess I am asking the Administration section itself, through working through the other areas and talking with the agencies, do you think they really are working with or is there a responsibility to say, the Government has said you will have a balanced budget and you will have a balanced budget based on what even in this year is in effect a net decrease in disposable allocations.

Mr. Gilleshamer: The agencies have of course been requested to have a balanced budget. The board makes initial decisions about their activities and are aware of the increases in budget that they are going to receive. The planning of the budget is, with any organization, a very important process to go through. They have been asked to present their plans to Government which would enable them to conduct their activities within the financial allotment that they are going to have.

I think it is important that they go through the process for the service and funding agreement. I would use the one at Children's Home as an example, or the one at the Eastman shelter, that it is important that they state the services that they are going to provide and that they have some security that funding is going to be available. I think that the board does have a role to play in setting the priorities that they are going to be able to manage within that budget.

Ms. Barrett: So the boards of these agencies that come under Child and Family Services are aware of the amount of funding they will be getting from the Government for '91-92?

Mr. Gilleshamer: No, not for '91-92. They are working on those service and funding agreements now. We have asked them to work within a balanced budget.

Ms. Barrett: I have a couple of questions of clarification here. So backing up in January the then Minister announced a \$2 million emergency deficit relief fund that Child and Family Services agencies would be able to access. To my understanding, at this point no Child and Family Services agency has accessed any of that money, and it is my further understanding that the basic reason they have not is they have not yet come up with a balanced budget. Is that a balanced budget for '90-91 or is that a balanced budget for '91-92?

(Mr. Deputy Chairman in the Chair)

Mr. Gilleshamer: As the Member has indicated, we are into the last portion or nearly the last quarter of the budget year, and Government is asking them, in this transition year, to adjust their spending in the last quarter to balance their budgets for the '90-91 year and to provide a balanced budget for '91-92 based on this year's expenditures, because next year's budget has not been announced of course, and they will have to make adjustments with a new budget.

* (2150)

Ms. Barrett: So Child and Family Services agencies, who are in some cases severely in debt for the first three-quarters of '90-91, are being asked to make up that deficit for the last quarter, so that by March 31, 1991 they will not have a deficit.

Mr. Gilleshamer: The deficit funds of \$2 million that they are going to have the ability to access is for the 1989-90 deficit, and we are asking them to bring their budgets in line so that they will have a balanced budget next year. This is a transition year for them, and that money is set aside to have them access that based on their 1989-90 deficits.

Ms. Barrett: In effect, what you are asking them to do in order to access money to help pay off '89-90 deficits is to come in with a '91-92 budget based on a balanced '90-91 budget. Do they have to balance the '90-91 budget? If they are \$100,000 in debt three-quarters of the way through '90-91, in order to access that \$2 million do they have to have a budget, i.e., a plan, for getting rid of that \$100,000 deficit for the year '90-91?

Mr. Gilleshamer: Yes, they have to provide, in this transition year, a balanced budget approach for the year 1991-92.

Ms. Barrett: The '90-91 year is the transition year?

Mr. Gilleshamer: Yes.

Ms. Barrett: When they come before the Child and Family Support and the administration, whomever they are meeting with, they will bring a balanced budget for '91-92 based on the same expenditures that were given to them for '90-91, not what they have actually or will spend, but the budget allocation that was granted to them.

Mr. Gilleshamer: That is right.

Ms. Barrett: I am beginning to see the definition of the transition here, which was another question that I was going to ask the Minister, if he would define what transition year means. I may as well ask it now.

Mr. Gilleshamer: Well, the transition is from spending in excess of their budgets and to organize their priorities during this current year so that they can proceed with a balanced budget in the year 1991-92.

Ms. Barrett: It would appear to me from what these guidelines—I guess they are not guidelines—these strictures for these Child and Family Services agencies, is that the givens are there will be no deficits, and the budget allocations for '90-91 were adequate and were adequate to provide not only a base, but the same funding for '91-92. Is that a fair assessment of some of the assumptions that these agencies are being asked to operate under?

* (2200)

Mr. Gilleshamer: Yes, part of the transition is to bring their spending in line with their income and, as soon as they have provided us with the balanced budget to go into the next budget year, then they can access the funds that would cover their previous deficit.

Ms. Barrett: Do they have to provide a balanced, line-by-line budget, or do they provide a more or less global budget?

Mr. Gilleshamer: They are now being asked for fairly extensive detail as to their budgets.

Ms. Barrett: Again, it is a question that the Government is saying to the agency, if we gave you \$5 million in '90-91, you bring to us a balanced budget for '91-92 based on \$5 million?

Mr. Gilleshamer: That is correct. That is the point at which they are starting. There will be changes in the budget, of course, as we get into the next fiscal year, but at this point, of course, we are not aware of what those changes will be.

Ms. Barrett: This does not appear, on the face of it, and from somebody who is outside of the process,

to be a very co-operative process. It would appear to me that it is based on financial assumptions and not on historical information about caseload increases, workload increases, cost-of-living increases, goods and services tax increases, health and post-secondary education tax implications. It does not even take into account the fact that historically these agencies, most of them, have been unable since decentralization to balance their budgets, and it would appear to me to assume that it is not that there is an inadequacy of funding, it is that there is an inability to manage or to live within an adequate amount of money. Is that a fair assumption?

Mr. Gilleshamer: I would say to you that the funds for Child and Family Services agencies, which was somewhere in the neighbourhood of almost \$42 million, is increasing to \$48 million, which is a 15 percent increase. You know, you reference the fact that there has been an historical problem with funding for these agencies, and that is partially correct, but there has been an awful growth in their expenditures at the same time that there was a growth in the funds that they were able to access. We feel as Government there has to be some control of that so that they can operate within a balanced position. Certainly, as the major funder of these agencies, we feel we have to have some control of this year over year spending. Some of the decisions are management decisions and the boards are currently, with their management staff, looking and setting priorities for the next year.

Ms. Barrett: Another series of statements that has been made by the Minister and the Premier (Mr. Filmon) and others that do not appear to be enacted in this process with Child and Family Services agencies and I assume that will be enacted with other agencies in this general division and that is, I am having a bit of difficulty squaring the statements that boards have the ability, the responsibility and the right to make expenditure decisions, leaving aside for the moment the fact that I feel that the budgets are inadequate.

When questioned by myself and other Members of my Party and as well the other Opposition Party about the lack of funding the Minister and the Premier (Mr. Filmon) have stated on several occasions that the boards have the authority, the right and the responsibility to make those expenditure decisions and that is fine.

I am suggesting, however, that the process itself is not following that assumption and is in fact requiring that the agencies not say, okay, we will provide you with a balanced budget; you give us the responsibility to spend it. It looks that it is a far more detailed line-by-line response on the part of the Government to these expenditures and I am wondering where the rights and the roles of the boards and the management are in this situation now.

Mr. Gilleshamer: The board and their managers have primary responsibility for making budget decisions, but in this transition year we have to effect some changes which are going to allow them to come in with a balanced budget. Some of those decisions are difficult ones and the department and the agencies are working co-operatively to bring about these changes.

Ms. Barrett: Mr. Chair, the Minister just stated that it was necessary to effect some changes to allow the agencies to come in with a balanced budget. Would it be possible to get a sense of what some of those changes are?

Mr. Gilleshamer: The priority setting that takes place with the agencies will vary from one agency to another, but some of the boards have been able to make these changes and make this transition fairly easily and fairly quickly. In other cases, where there are larger deficits, it is more difficult to set those priorities and come within those guidelines.

Ms. Barrett: Mr. Chair, I am wondering if the Minister can explain the thinking behind the fact that it would appear that these Child and Family Services agencies, but also other agencies within this department, are being given one year as a transition year from deficit spending to balanced budgets, particularly when No. 1, the deficits have been occurring over a period of years for many of these agencies, and No. 2, we are as a society being hit with some potentially extraordinary costs for all of us with the goods and services tax, inflation, et cetera, why only one year is being allowed for these agencies to make some very serious and very extreme budget changes which have massive programmatic and service delivery implications?

Mr. Gilleshamer: I gather from what the Member is saying she believes in the concept of the balanced budget. It is just the time limit that she has some disagreement with. The budgets have, of course, changed from year to year, as has the funding, and

the deficits have just reached such a stage where Government has made a decision to have the agencies take a serious look at how they spend their money. You know it is something Government has asked them to do and something that their employees are perhaps questioning too, how the money is spent within the agencies. The transition year may be easier for some agencies than others, but I am pleased that the Member agrees with the concept of a balanced budget because I think that is the direction we have to go.

* (2210)

Ms. Barrett: I certainly do not disagree with the concept of balanced budgets. However, I do not see in what is happening here a balance, if you will, between the requirements of agencies that have increasing case loads, increasing workloads, certainly now increasing external costs, I do not see that balanced with the Government's realization that historically these agencies have been underfunded for the mandate that they have been asked to provide for the services to the children and families of Manitoba. There is not, to my way of thinking, a balanced presentation here.

I do not disagree with the concept of a balanced budget. I do disagree with the concept of a balanced budget when it is not based on an accurate understanding of what the job requirements are for these agencies, what these agencies need to survive.

The other point I would make is that it appears, I would think, extremely unfair, and I would put it mildly that agencies are being asked to make this enormous change in their budget, in the money that they are allocated and the money that they have access to based on whether it is historical deficiencies in funding, or problems with management, or problems with allocation, or increased service demands. Any one of those elements aside, that they are being asked to make up in one year that kind of deficit and to balance their budget in the next year when neither the provincial Government nor the federal Government, nor any individual families are able to do that kind of make-up in that short a period of time. That to me is not balanced, that is a real imbalance in the system as it is being played out over this year.

Mr. Gilleshamer: Well, the Member references the severe debt position that the provincial Government is in, and I am pleased that she

recognizes that in that we are paying almost as much on our long-term debt in the course of a year as this department receives. We feel very strongly that we have to do something about that long-term debt because over \$500 million in interest charges are now being paid on that debt.

The agencies are being asked to balance their budgets, and do it in the course of this year. It is, as we have indicated, a transition year in that they have to set some priorities and make some changes, but I would say that agency budgets have increased dramatically over the course of the five years. As I indicated earlier, in '89-90 the agencies received \$41.78 million. This year they are going to receive \$47.9 million, a 15 percent increase, and we cannot simply go on giving 15 percent increases year after year without addressing the deficit situation.

Ms. Barrett: The Minister and I have had several discussions in the House and outside the House on the make-up of this 15 percent increase. What Child and Family Services agencies have told me, they have told Mr. Alcock, they have told the Minister, they have told the media, they have told anybody who will listen to them, is that there may be, on this page, 15 percent increase but when you take into account what the elements are that go into that 15 percent increase, you take away money that flows straight through that agency that they have no control over. They cannot make a decision about what to do with that money. It ends up that you have in effect, according to the Child and Family Services agencies provincial group a 1.6 percent decrease. Now, I do not know that we want to get into that specific right now.

I am still suggesting that there is no other organization, or governmental body, or even banks, or credit unions, or when people go into massive debt and they are asked to restructure their debt, I do not know of anybody who requires that individual to pay off the entire debt, and to come in with a balanced budget including the debt reduction, in one year. Particularly when you are talking about hundreds of thousands of dollars that these organizations have been spending that they are not going to be able to spend. There does not appear to me to be any indication that the Government is looking at the debt charge, the cost that these agencies are being required to pay to banks on that '89-90 deficit.

This \$2 million could, if this process goes on much longer, be eaten up or virtually eaten up with just

paying off interest charges. My bottom line is that I do not see the process balanced. I do not see the process taking into account the programmatic needs of the agencies, the service requirements that the agencies are telling the Government that they need to have in order to provide services to this section of our population, particularly in the light of the increasing numbers of people who are asking for the services of these agencies.

Throughout this entire division, not just Child and Family Services agencies, but Family Dispute Services agencies, the special needs, the whole area, I just find it, to use one of my favourite words, almost unconscionable that this Government is asking these organizations to make this enormous change in their programming and their budgeting and their whole manner of doing business in one year, actually in less than one year when you put it all together.

If this is the policy of this division, there is something really unbalanced about it. I do not think any organization in here, no person in this building, no organization that gets funding from this Government would deny the fact that we are not in expansionary times, that we have major economic problems that we are all facing. But we are all facing them, and to ask this area of this department to take it on the chin like this is unfair. It will not go by without some serious consequences. I am convinced of it.

Mr. Gilleshammer: I think the Member knows, but I will remind her anyway, that there are \$2 million set aside to pay for their deficits, to cover their deficits. We are asking them to restructure, to change, to set new priorities and proceed in the coming year with a balanced budget, so that the interest costs the Member talks about and the accumulated debt—one of the problems in this department is that year after year these agencies have been running up a serious deficit. Government has consistently picked it up, and even with the massive increases in the amount of money put into this department, still managements of the agencies have continued to run deficits. Government is saying at this time that we will use that \$2 million to pay off the deficit, the debts that they have accumulated, but to proceed from this point with a balanced budget. Agencies are working very hard with the department to bring that about.

Ms. Barrett: This \$2 million is for '89-90 deficit reduction, am I correct?

Mr. Gilleshammer: That is correct.

Ms. Barrett: Then these agencies which are currently experiencing hundreds of thousands of dollars of debt for '90-91, what is the Government's plan to deal with this situation in this transition year?

Mr. Gilleshammer: We are hoping that in this \$2 million fund that there will be enough to address deficits for this year as well, but if there is not, that is an issue that Government will have to look at.

Ms. Barrett: When the agencies are being asked to provide this balanced budget for '91-92, are they being told to take into account their deficits for '90-91 that might not be covered by the \$2 million, and are they being asked to cover those deficits in their balanced budget?

* (2220)

Mr. Gilleshammer: No, they are not. As I have just said, somewhat hopeful that perhaps within that \$2 million those deficits could be addressed. If they are not, then Government will have to look at that situation.

Ms. Barrett: Mr. Deputy Chair, I go back to something I said earlier. I think that what I am hearing is an underlying assumption—and maybe it is not so underlying—but an assumption that these deficits have been run up. I am using that phrase knowing what I am saying, what it sounds like, because my sense is the Government is saying, you have in some cases mismanaged the money that has been given you. You have been given these enormous increases year over year; you continue to not have enough money to balance your budget, and the only possible explanation for that is that you are not managing your money properly.

I do not hear a single thing about the fact that maybe, just maybe, these deficits are at least partially a result of increased demands on service providers. The fact that when we went from one agency to six agencies, no one knew exactly what the costs were going to be. The base costs were decided at such and such, and they have never been adequately increased to reflect the current needs. I am just seeing one side of the equation. I am seeing this very—it is like it is a factory. All you need to do is change the hours that you put the widgets in, or you cut back on the lighting for a little bit, or you do this or this, and you can produce the product without a deficit.

Child and Family Services agencies, shelters, services to families, anything that requires 80

percent of your budget going to people who deliver service directly or indirectly is not ever going to be operated on the same kind of financial budgeting kind of outlook as a corporation. Heaven only knows, we have got a lot of examples of corporations who were supposedly well-financed and well-budgeted and have gone straight down the tubes.

I am just saying that I really find it very difficult to believe that the Government is not—what appears to me what is happening here is that the Government is saying: you made a mistake, you fix it. It is your responsibility. We are not going to take any responsibility for the fact that there is an enormous amount of work to be done out there and let us look at balancing it, that there is at least the likelihood of a need to increase funding, a need to take a look at those deficits and how much of it is mismanagement, if you will. I am not for one moment suggesting that is the case.

What I am hearing is that the Government is perhaps suggesting that, and I would say let us look at not only those questions, but also the other possibility of why those deficits are being run up. They are being run up because the agencies are being underresourced, given the needs of this society that we live in.

Mr. Gilleshammer: The Member raises the issue of management, and I have not accused the agencies of mismanaging their funds either. Others perhaps from inside the agencies or outside the agencies have suggested that it is not a bad idea to look at their management practices and the setting of priorities. That is exactly what the agencies are doing.

The Member raises the question of the origin of the agencies and the fact that they were badly underfunded by the previous Government, and that it seems to sort of be a leapfrogging thing from one year to the next. Even though there has been a tremendous amount—and I think the Member would even probably agree—a tremendous number of new dollars put into the agencies in the last few years, management and boards have increased to spend over and above that. I think the exercise we are currently involved in with the department and with the agencies is a good one.

To some extent, it would be good to allow the procedure to continue without a lot of the outside pressure being put on it, because some of the

agencies have proceeded very nicely to provide balanced budgets for the '91-92 year. We are not saying in some agencies that there are not difficult decisions, because there has been increased spending year after year and increased funding from Government. I would think that there would be some degree of comfort to know that you could operate within a balanced budget. This exercise is ongoing in this transition year, and we hope in the near future it will result in these balanced budgets.

Ms. Barrett: I would like to put on the record several statements. One is that I am not calling into question the management of the agencies or the management practices of the agencies, because I do not know what they are. It would be presumptuous of me to do that at this time. I am secondly not suggesting for one moment that a process of looking at what you spend your money on, what you have as your priorities, how the organization can be structured or restructured to better service the community that you are being mandated to serve—those things are excellent things to be done.

I have stated several times that a budget is a plan. It is a wonderful way, it is an essential way to look at what it is you are going to be spending. It is a marvellous tool, but I also say it is a tool. It should be looked at globally. I see the globe cut in half and only one part of this budget process being looked at. I will also say that others in the Minister's Government, including the Premier (Mr. Filmon) himself, have called into question the management of these organizations. I would suggest that he has no more—well, he may have a little bit more—intimate knowledge than I do of these organizations. I would suggest that he is definitely calling them into question and again without the other part of the equation, which is to say: Look, let us look at the whole thing. No question about it, it is necessary, always necessary, all the time, and probably no more necessary than now where we are after five or six years of a decentralized service delivery system. We are into a new economic reality that we did not have when these organizations were first decentralized.

We have got to look at it—no question about that—and look at it very carefully. I do not think any one of these agencies would for a moment suggest that was not a very vital and important thing to do. I doubt very seriously that any one of them would say they take comfort in producing a balanced budget

which is not based on good service provision. I do not think any of these budgets, again not knowing the details, but I would venture to say that if these organizations come in with balanced budgets, they are doing it at the expense of service delivery. They are doing it at the expense of any kind of prevention programs. They are doing it in a very shortsighted way. They are being forced to do this, and the organizations in society are going to pay for it very severely in the not too distant future, because these prevention programs are not being looked at.

Extensions of cases are not being looked at. The only way these agencies are going to be able to provide a balanced budget is to cut from both ends of the service spectrum, and they are not going to be able to provide any of those outreach or education or prevention programs that are only, in the long run, going to be the kinds of things that are going to make this kind of family service agency hopefully less and less necessary, rather than more and more.

That is what I am saying. It is unfair, it is wrong to force these agencies into that kind of a thing in a one-year period. In my way of thinking, it is based on a concept that it is their fault, they are responsible for it, and we do not have any responsibility other than to the bottom line. I do not like that at all, and I am going to make sure that this process does not go by without a lot of careful looking at and scrutiny on the part of the Opposition.

At this point, I do not have anything more to say on this particular area.

* (2230)

Mr. Deputy Chairman: Item 4.(a)(1) Salaries \$206,100.00.

Mr. Gillehammer: I would just respond in saying that—and again I would use the service and funding agreement with Children's Home—certainly it took some work by both parties to come up with an agreement that both sides could live with. The services to be provided were identified, and the funding that was made available to cover those services is provided. It seems like an excellent way for Government to interact with an agency, with a board and administration, so that there is some understanding on the part of both parties exactly what is to be provided and how it is going to be paid for.

As I indicated in a previous answer, I think there is some degree of comfort in knowing that when

these services are provided, that there is adequate funding for them. Agencies can look very closely at the service that they are going to provide and set those priorities according to the funding that is available.

Ms. Barrett: Just one more. Yes, they are going to provide the services according to the funding that has been available to them. That to me says it in a sentence. They are coming to see you, and you are not budging. You are saying, you are going to live within the budget that you were given this year, and we will not give you the money for two years ago until you do that. That to me is not a give and take. That is not co-operation. That is saying, we have all the marbles; you play by our rules, and our rules are very narrow in their focus. I do not think there is a social service agency in this province that is going to be comfortable. They may do it, but they are not going to be providing good service. They know they are not going to be providing good service, and they are not going to be comfortable.

Mr. Gilleshamer: I think that the agencies certainly have provided good service in the past and have experienced tremendous increases in funding, and I expect that the funding is not going to decrease. It is going to continue to increase, and they are going to continue to provide that good service.

The Member seems to be suggesting that all of a sudden the services that they provide are not going to be there any more. They have 15 percent more money this year than they had last year. Similarly last year they had 15 percent more funding than the previous year. The Member wants to quibble with the numbers and say if you take their deficits into consideration and their overspending, that you have not given them 15 percent. We are saying that year over year, there has been a 15 percent increase in the money that we give to them. In fact in the five years, the funding has doubled. That is, I think, 100 percent increase in funding.

At some point, we have to bring these two realities and have them synchronize, and that is exactly what we are asking with a balanced budget. Certainly, they are going to have to make some adjustments in this transition year. I would not want the Member to leave the impression that all of the good things they do are going to be thrown out the window. We think that they will continue to provide a valuable service to Manitobans who are at risk.

It is important for the Government, and it is important for these agencies to bring their service in line with the funding so we do not constantly have them coming back with deficit and debt positions. Government has always picked up their debt. It would seem as long as there was some comfort that Government would continue to pick up that debt every year, there was no impetus or no feeling on the part of the agency that they should balance a budget. The agencies are working very hard at that, and the boards. It is a process that is in place and a process that is working.

(Mrs. Rosemary Vodrey, Acting Chairman, in the Chair)

Ms. Barrett: I would not ever choose to quibble over these figures. I think that they are very important disagreements and that we need to come to an understanding about what we mean by those figures. I would ask the Minister, if the agencies have provided good service this year, and the Minister continues to believe that they will provide good service, why he is not at the very least suggesting to these agencies that they come in with a balanced budget in '91-92 based on a cost of living?

There does not appear to be any cost-of-living allowance made for these budgets and certainly nothing in the line of my favourite, goods and services tax, or the health and post-secondary education tax, that if they are providing good service now, they will not be able to provide even that level of service if there is not, I believe, some kind of realization that you need to have additional funds just to stay ahead when you have got somewhere between 4.5 and 6 percent increase in the cost of living over this next year. Nobody knows—and we have had this discussion in earlier parts of this Estimate—nobody knows what the goods and services tax is going to have as its implication.

The department is making a stab at that in its social assistance increases, not nearly enough as I have stated before. At least there is some recognition of that. There is some recognition of those kinds of increases, small though they may be, to the external agencies in the community rehabilitation area. Why in Child and Family Services is there no recognition at all in the budget planning for '91-92 of a minimum increase at the very least just to provide for cost of living, not additional programming even?

Mr. Gilleshamer: I think I pointed out earlier and I would mention it again, that we do not have an indication of what increases in budget for 1991-92 will be. What we are asking agencies to do is position themselves so that they will be in a good position to proceed with a balanced budget.

When you talk about the increases in the cost of living and so forth, that is a reality that we are aware of. We are not saying that there is going to be a zero percent increase—that is maybe a contradiction—for 1991-92, but we are asking them to position themselves with a balanced budget so that they can proceed into the coming year with a balanced budget. Those funding increases for 1991-92 will no doubt be encompassed in the next budget in March or April or May, whenever it comes down.

Mr. Alcock: I have listened to this with great interest, and I think the Member for Wellington (Ms. Barrett) has gone a great distance in exposing the underlying flaws in the policy that the Government is currently proceeding with. I do not know, quite frankly, how to proceed, to try to step aside from the political rhetoric that surrounds the discussions that we have in this forum and to try to tone down the language.

I find myself sitting here being profoundly saddened that we have a Minister, and the Minister of Family Services (Mr. Gilleshamer) occupies a really unique position, really—you lead this department.

In fact, in legislation, a lot of the activities in this department in law take place under the control and direction of the Minister. You have an opportunity to do something. You actually have an opportunity to provide some leadership to those people most in need and those people most vulnerable in this community. Yet, I do not hear any leadership coming out of this department that is going to help these agencies get through some very tough times. I do not hear anything that is going to make the situation of an abused child or a battered woman better into the near future.

* (2240)

What I hear is the development of a relationship which victimizes the agencies. I believe that if you proceed with this in the manner you have set yourself, over the next few years fewer children will be protected, fewer abuse cases will be investigated, fewer situations of violence in the

community will be uncovered and resolved. I firmly believe that if you proceed with this structured care continuum in foster care you will be part of the problem. You will be abusing children instead of fulfilling your responsibilities to protect children.

This is the only thing we do in our community that provides children with any rights at all. I recognize that it is a very difficult position for this Minister, because he is brand new. You do not have a lot of depth. You are having to rely on other advice. If I had one piece of advice to offer this Minister, it is that he stop and think really hard, and that he look very critically at what he is being presented with, because I think what is coming forward is something that has not been done in any other province in this country. I think it will result in a real degradation of the services that we provide.

Mr. Gilleshamer: I just want to assure the Member that I, as Minister, and the department are going to try very hard to provide the best possible service for vulnerable Manitobans that we possibly can. You seem to indicate that the services are deteriorating. I would use the shelter system as an example where a considerable amount of money and thought and planning has gone into the shelter system to stabilize the shelters, to give them some core funding and some per diems that are far in excess of what they received before. I think there have been tremendous positive changes in the shelter system, and I see that as a proud legacy of the previous Minister.

The Acting Chairman (Mrs. Vodrey): If the Members would listen to what is being said by people who are recognized by the Chair.

Mr. Gilleshamer: I visited Osborne House and the board members and the staff are rightly proud of a facility that they have here in the City of Winnipeg, not happy with the need to have such a facility, but certainly a facility that meets their needs and a funding agreement that they think is the best in Canada.

I was recently in Brandon along with some of my colleagues for the official opening of a new shelter there. Those people are extremely pleased, again not pleased with the need for shelters, not pleased with what appears to be an increasing demand for services, but again I think the previous Minister can take credit for stabilizing a system and putting in place shelters that are there for the services that are needed for abused women in the society.

On Friday I was in Dauphin and talked with members of the media there who had questions about the Dauphin shelter. So I would say to the Member, in all honesty, I think tremendous strides have been made in that area.

You talk about having services that are deteriorating or inferior, I hear front-line workers in some of those shelters and members of those boards saying, you know, you have done great things. They speak highly of the abuse campaign that cost the Government some \$200,000, a campaign that is being emulated across the country. Other provinces are asking permission to use this particular program. It has raised the awareness in society, and that is a tremendous feat in making people realize that abuse is a crime and bringing people forward who avail themselves of the system as they change their lives and make some pretty important decisions.

I take some exception to the Member saying that this Government has not been concerned with programs and providing facilities to people in need.

Mr. Alcock: I do not want to take anything away from the actions of the former Minister relative to the changes in funding for shelters for battered women. I think she does deserve some commendation for that. I am referencing in particular the decisions that the Minister is about to make and the direction that the Minister is headed relative to Child and Family Services agencies.

I would just like to walk through some of the things he said just recently. The raising of the awareness is a good example. He talked about how the advertising campaign has done a lot to raise the awareness of the issue of violence toward women and how that has produced additional pressure on the shelters. Those same kinds of campaigns coupled with protocols have placed tremendous pressure upon Child and Family Services agencies relative to abused children, tremendous pressure. One needs only look at the statistics in child abuse to see just how dramatically those disclosures have increased in the last few years.

Now the Minister talks about year after year these agencies have been running up deficits, and yet he says, and it is true, I do not recall a single time when he has attacked the management of the agencies. Certainly the Premier (Mr. Filmon) has, but the Minister has not. In fact the Minister has admitted quite candidly that he has no evidence that there is

any problem with the management. So if there is no problem with the management and yet these agencies are running up deficits year after year, there is a problem.

There is a problem that might be, upon investigation, related to the volume increases and the pressures that are on these agencies. If so, forcing these agencies to cut back 10 percent in their operations is going to result in 10 percent less service. It is going to result in a reduction in the current level of service in the face of increasing pressure to provide service. That is going to mean that fewer people are going to get served. It is going to mean that fewer children are going to get protected.

I think the Government has conceptualized these services incorrectly. I spoke, when the Minister mentioned service and administration agreements, I favour those agreements. I think they are a good tool for putting in place some clarity on the funding between agencies and Government and holding both sides accountable, but there is a flaw. It is a problem and I pointed this out when we had this discussion in the Agency Relations section of this department.

You have got to deal with the volume issue because these agencies are not like Children's Home. They cannot provide 6,000 days of residential care and then stop the way this agreement says. They cannot provide 3,000 days of counselling and then stop, because when they hit that limit, and if a school phones the next day and says we have a sexually abused 13-year-old disclosing, they have to act. They have to investigate, and what you are doing by policy, if you continue this, is limiting their ability to do so, and I think that is a major step backward.

Mr. Gilleshamer: The Member has correctly said that I have not criticized management and raised an issue of mismanagement of agencies. I do not think that is a proper way to resolve issues. I mean, other people may have brought this forward. I think the Member tabled a letter, or had a letter where staff were questioning management decisions. I think this whole process of putting in place these service and funding agreements—and it is a process whereby agencies are asked in a very definite way to examine what it is that they do, and we are wondering, as Government, whether the large amounts of money that we are putting into the social services system can be spent in a better way.

* (2250)

This department, and I am sure the Member will acknowledge it, has received large increases in budget compared to other departments in Government. It is 8.2 percent this year, it was 9 percent last year, and there has been a strong commitment to Family Services and Health and Education. The service and funding agreements and the concept of a balanced budget is a process that we are going through in this transition year.

The Member indicates that he thinks the service and funding agreements are the proper way to go and we feel that it is, as well. There is money set aside to pick up the deficits from '89-90, and possibly deficits from '90-91. That may be a problem that is going to require additional resources. We will also be in a position, I am sure, with the next budget to again have additional resources in this department. We do not know what that is yet because that has not been determined, but I think somehow we have to bring some stability to the manner in which the agencies operate. We think through the use of these agreements and the agency boards and the department talking that we will be able to do that.

(Mr. Deputy Chairman in the Chair)

This is an ongoing process. We seem to agree on the concept, but it is the dollar amount that is at issue. We would hope that the money that is there for deficit relief and the ability of agencies to determine their priorities, will allow these agencies to move forward and still provide the essential services that they now provide.

Mr. Alcock: The difference between the two positions, as I understand, is the question of what base do you start off with when you put in place this no-deficit budget. From everything I hear coming out of the department, everything the agencies have and everything I hear the Minister saying, it is meet your obligations under the current number of dollars available.

Well, these agencies are overspending the current number of dollars available on S and A by about 10 percent on average. You are asking for them to meet a zero budget of a cutback of about 10 percent to meet your test.

If you do that, if you cripple them in that way, then you go into your service and administration agreement. You are starting with such a bad base that you have hurt the services very badly before

you get started. If you can get them to an operating base that is adequate to meet their needs and move into the agreements, then I have less to quibble with the Minister. To take a step backwards before you move into these agreements is simply going to perpetuate the problem that exists now.

Mr. Gilleshamer: There is no question that there will be budget changes from year to year. I am not sure the Member is accurate when he indicates that an additional 10 percent would solve their problems. They have had the increases from year to year, and it always would seem that the agencies were in a position where they spent a little more in excess of the budgeted amount. We have to reach a point where you do not have to play catch-up any more. This is an exercise that perhaps the agency should have gone through a couple of years ago.

It is an ongoing evolution and I would hope—and I think the Member agrees we are on the right track—that the service and funding agreements are the way to bring the department and the agencies together, and for the agencies to understand where Government is coming from and Government to understand what the agencies do. Given the time to put these in place, I think we are going in the right direction.

Mr. Alcock: When we talk about the service and administration budgets of an agency, we are talking about the funds that are provided to an agency to do child protection work, to run their offices and to investigate cases of neglect, abandonment, abuse, whatever is brought to them. The year over year increase in those grants is in the order—I think in this year with that grants list that was announced—of between minus five for one of the agencies to about 7.2 percent for the other end of that continuum.

With those kinds of increases, the agencies are still running deficits. Obviously the one that is expected to cut 5 percent of its budget is running quite a large deficit given current operations. Now, if the Minister says the current operations are not overstated as a result of bad management, then what are the agencies left to do except cut back on the current level of service they are providing?

Mr. Gilleshamer: I refrain from making a comment on their management, because I have not examined it. I think it would be presumptuous on my part to criticize them on management. I think that as these negotiations and plans proceed to come in

with service and funding agreements, boards will be automatically assessing where they spend their money and how they manage their money. In conjunction with the department, I think we will set priorities which will allow them to balance the budget. Certainly I would agree that for some agencies it is maybe a more painful exercise than for others.

I think that the Member has acknowledged that we are on the right track with this, and I think that given the time we will be able to have these agreements signed. It seems to me in any of the agreements that we have put in place, both Government and the agencies have been pleased in that they know exactly where they are going. They may not be pleased with the funding. I think all of them want more funding for new initiatives and new buildings and more staff and so forth. We feel we are going in the right direction. I guess what I am saying is, give us the time to proceed with it.

Mr. Alcock: I do need to qualify my statement. I believe service and funding agreements are a potential solution to the problems that the department faces in the financial relationship with these agencies. I think you are on the wrong track to getting there. I very much believe you are on the wrong track to getting there, and I do think that you are going to significantly damage the provision of services in this province if you persist in the way that you are proceeding.

How can these agencies faced with these cuts or very limited increases, with the kind of deficits that they are carrying, do other than reduce services to meet your goals for them?

* (2300)

Mr. Gilleshamer: The changes they may have to make is in their priorities. I think that our concern is that they do the basic job they were intended to do in the protection of children and people who are vulnerable in society. I think that they have to assess some of their other activities. Basically, with the funding that we are providing, we think that they should be able to live within that balanced budget and do the job within the community as they have done in the past.

Mr. Alcock: An agency that is currently operating with a deficit in the order of—let us pick an average—\$200,000 for a medium-sized agency is expected to reduce their operations by that \$200,000, which on average for a small agency is

about 10 percent of their budget, and provide the same services they are providing today. Is that what the Minister is telling us?

Mr. Gilleshamer: I am saying that they will identify the essential services that they provide for children and families and be able to carry on with that. Some of them may be able to find efficiencies in terms of co-operation.

We had three agencies make a management decision involving night service. Management felt that was a direction that they wanted to go with that particular service, and that was one way of dealing with the perceived problem. We would encourage agencies to work together to provide—and they have indicated that they would be providing the same level of service. If there are ways that agencies can co-operate like that and create some efficiencies, we think that is a good thing.

Mr. Alcock: If the Minister is talking about the night services provided by Northwest, Central and South, that service provision agreement was arrived at some four or five years ago, and Government has never fully recognized nor fully funded that service.

Mr. Gilleshamer: I am speaking of some changes that they made in recent times where they have indicated that the service provided by Northwest regarding night service is going to be in collaboration, I believe, with Central and Winnipeg South to provide that service, and they would be able to reallocate some funds into other areas. I am just giving you an example of management decisions that boards and agencies can make.

Mr. Alcock: Are you saying that the decision to operate a joint night-duty service between Northwest and Central and South is something that has occurred within the last year? Five years ago.

Mr. Gilleshamer: I am indicating that boards can work together to find ways of providing services that simply are better ways of doing things, that these are large agencies—we are talking about large numbers of dollars. If agencies can review their operations and make changes that are going to allow them to operate more efficiently and target the dollars in other areas, we think that is a very positive step.

Mr. Alcock: Let us take an example then. The Northwest agency, in order to begin to attempt to meet the goals outlined by the Minister, have decided to reduce the services they are going to

offer to older children. Is that an acceptable policy decision to this Government and this Minister?

Mr. Gilleshamer: The vital services that these agencies provide are the ones that we expect them to proceed with. Agencies will still have, I think, room in their budgets and be able to make decisions to provide some of the other services that they have provided in the past. In this year of transition, they may have to make some changes in how they have operated. Again, if they can do so in concert with other agencies or with school divisions, with other groups that work with children and families, we think that is incumbent upon them to try and work in a co-operative fashion to provide these services that they have provided in the past.

Mr. Alcock: Every one of the agencies and everybody who works in this field would agree with the statement the Minister just made. Nobody argues about co-operation. In fact, that is one of the principles upon which these agencies are funded. The reality is to meet the test set by the department, these agencies have to reduce those vital services. They have to provide less of what they provide now.

Northwest is a clear example. They have made a policy and announced a policy decision that results in the provision of services to older children. This act is administered under the control and direction of the Minister. I am asking the Minister, do you support that policy decision by Northwest?

Mr. Gilleshamer: The boards have some latitude and autonomy in setting their own direction. Boards, I am sure, will do the basic protection of children and families that they were mandated to do. There are other areas of their responsibilities that I am sure they are analyzing and looking at under these service and funding agreements. In this transition year, we are expecting that some of them will be setting different priorities to enable them to continue operating with a balanced budget in the new year.

Mr. Alcock: One of the duties of the director of Child and Family Support is to ensure the development and establishment of standards of services and practices and procedures to be followed where services are provided to children and families. That duty is under the control and direction of the Minister. Northwest has announced a policy decision that it is going to reduce the service offered to families and children in its region. Is that in accordance with the standards that have been

established by this department under the control and direction of this Minister?

Mr. Gilleshamer: What we are asking agencies to do is examine the way they do business. We are asking them to examine the things that they do given the funding they have and to find ways to provide the service that is necessary to children and families in their jurisdiction. We are finding that some of them are working in conjunction with community groups and with other Child and Family Services agency boards to continue to provide the types of functions that they have in the past.

I can tell you from my travels that some boards are providing services that other boards or agencies are not providing. I think agencies developed in their own ways based on the historical beginnings, in some cases, or by the manner in which the board and the management deemed was necessary and perhaps a direction they wanted to go in their particular area of the city or area of the province. Under the service and funding agreements, we are asking them to examine the things that they do but still to provide the vital services that are needed for the protection of Manitobans that they have been involved with.

* (2310)

Mr. Alcock: One of those agencies has made a decision that in order to meet the targets set by the Minister, it will reduce services. Is that consistent with the standards established under this Act by this director under the direction of this Minister?

Mr. Gilleshamer: We think that they can meet their basic mandate, which is the protection of children and families. We think that they can continue to provide a valuable service for the citizens in their particular area. There are going to be some changes, but we think that they can still provide the basic services that are required.

Mr. Alcock: So the policy of this Minister is to stop serving older children?

Mr. Gilleshamer: Those are the Member's words. If the Child and Family Services agency boards are making decisions, if older children remain with their families and are worked with in their families as opposed to coming into care, that is one direction that boards can go to create some efficiencies and still provide the vital services that we expect them to provide.

Mr. Alcock: Of course remember that having said that, you have cut the special funds for supporting

families by \$100,000 out of a \$250,000 budget. That is not what is happening here. What an agency has said is, in order to meet your budget targets, it will provide less service to older children, not serve them in their own homes, provide less service, tighten their intake criteria so they do not take in certain kinds of children.

Mr. Gilleshamer: Maybe they are providing a different service instead of cutting a service. I am saying that if older children can remain in their families with their parents instead of coming into care, there is a cost savings involved there. This is simply a different manner in which an agency can deliver the service that is needed for those children.

Mr. Alcock: What if they are providing no service?

Mr. Gilleshamer: We feel that the agencies can provide the basic services in their areas. If they can find different ways of providing that service, and if those children can remain with their parents and stay in their own homes, it is a less costly way of providing service for those children.

The Member for Osborne (Mr. Alcock) makes comment about the Reid case. There was a lot of—and I hesitate to get into specific cases, but the agency involved was involved on many occasions with that family. It is a very complex issue. It has a lot to do with judgment as opposed to not providing service.

Mr. Alcock: Agencies under pressure and workers under pressure in exercising that judgment are going to miss more and more cases, not catch more and more. They are going to miss more and more, particularly when you have policies in place that specifically say they will provide less service. This Minister is saying that is acceptable to him. I find that astounding.

Mr. Gilleshamer: I would caution the Member that every judgment that people make, whether they are teachers in a classroom or workers in this particular field or politicians, I do not think every time judgments are made that people by hindsight think was in error, can be blamed on pressure. This whole area of counselling children and families who are often in a very serious state of agitation is fraught with pressure, that anybody who deals with people who are having difficulty coping in this world are going to face that pressure. These are certainly pressure-filled jobs. That is part of the job. To bring that case up at this time, I think there are so many

other angles to that case. If we are going to deal with it, I think you have to deal with the entire case.

Mr. Alcock: The Minister acknowledges that these are pressure-filled jobs. Why are you adding to the pressure? Why are you acting to increase the pressure on those workers who are providing this service?

Mr. Gilleshamer: I think what we are trying to do in stabilizing the system is to relieve some of the financial pressures that agencies have been under in running deficits year after year after year by putting in place service and funding agreements as we have with Children's Home, with the Eastman shelter and a couple of others. I think—and the Member has acknowledged—that we are going in the right direction. These are intended to take some of the pressure off the system as far as the financial concerns of these agencies go. It is going to be a year of adjustment. We have said it is a transition year. Agencies and the department are going to have to work together to come up with these service and funding agreements, which I think in the long run are going to add that stability to the system that is so necessary.

Mr. Alcock: What if, during this transition year, you are wrong?

Mr. Gilleshamer: I think we are right. I think we are embarking on the right path with these service and funding agreements. I have indicated that there is a \$2 million fund to look at these deficits. We are talking as if there is going to be no increase in 1991-92, and that is an assumption that I think is wrong. As far as I know, the budget for the Province of Manitoba increases every year. We have increased the budget in this department by 9 percent, 9 percent and 8.2 percent in the last three years, so there is new money coming into the system. I think it is an error to assume that there will be no new money in 1991-92. We do not know what amount that is going to be at this time.

Mr. Alcock: The Minister has said that he is expecting agencies to present zero-base budgets going into that discussion for next year, agencies that are currently running deficits in excess of \$100,000 and, in some cases, \$200,000 on these services. To do that, it means a cut of that magnitude. That is what you are saying in the transition. The problem is not the service and funding agreements; it is how you are getting there.

Mr. Gilleshamer: Well, how we are getting there is that we have made substantial increases to this budget in the last two years, and we think those increases should have been sufficient. We are feeling that agencies must take a realistic look at their budgets and the services they provide and make an attempt to set their priorities and come up with balanced budgets for 1991-92.

* (2320)

Mr. Alcock: You do not have a single study, a single piece of research, a single examination that supports your side of this case. Every examination of the support for services has suggested that the rate of increase or the demand for services has outstripped the support provided. I mean, I agree with the Minister on one level. It must be terribly frustrating to put the sums of money into these agencies that have gone in, and the agencies have had substantial increases from '85-86 onward. The reality is that the demand for services has increased dramatically also. You cannot write a new protocol with the school division that demands these agencies respond to the identification of abuse cases without increasing the demand for service.

You cannot advertise on behalf of child abuse and not create more demand on the agencies. You are saying that there is not bad management. You are saying that is not at the root of it. There is no evidence that supports this blind faith you have that these agencies can cut 10 percent of their budget and still provide the same services—no evidence at all.

Mr. Gilleshamer: Well, just as I have not said there is bad management, I have not said there is good management. I have made no comment on management. The part of the exercise of going through these service and funding agreements and the negotiations is to have the board and the department examine what it is they do, and in some cases, they are going to have to make some changes.

Given the increases in the budgets from the mid-'80s to now, the expenditures of these agencies always seem to be just out of reach of the amount that was committed by Government. When we are talking about going from \$41.78 million last year to \$47.9 million this year, I think that the adjustment that has to be made by some of the agencies is not a large one. Some agencies seem to be better positioned to make that adjustment, and we in fact

may have to work more extensively with others who seem to have a bigger problem with their budget. It will give us an opportunity working with them to examine the reasons for that. I think that this process that we have embarked on with the agencies is one that can work, and you know, the Member makes comments about management, and it appears in information he brought forward last week that people who are intimately involved with the agencies are also asking, is there a better way to do things.

We spend almost \$50 million of taxpayers' money with the agencies. What Government is saying with this massive expenditure with the agencies: Can we do some things better? Can we operate on a balanced budget? Are there some economies we can make, some priorities we can set that are going to change this? That is the process we are in the middle of at this time.

Mr. Alcock: I am not going to offer a definitive opinion. I am not going to sit here and blindly support the management of all these agencies. I am not going to suggest that there are not efficiencies that can be arrived at, but I am going to tell the Minister that seven of the eight private Child and Family Services agencies are running deficits. Now there may be a management problem in one or two of those agencies.

There may be management issues that those agencies have to look at and the examination leading to the signing of service and administration agreements is a good one, but you are going to destroy that process. You are going to destroy that process by not allowing it to become a rational negotiation based on what is best for the people that these agencies are supposed to serve. Instead, you are forcing them to make very difficult decisions which are resulting in reductions of services to the very people that they are mandated to serve. So you start off on the wrong foot and those mistakes are going to grow over time.

Mr. Gilleshamer: You now are adding your voice to those who are indicating that there may be management problems in some agencies, and I think that the process that agencies are going to go through is a valuable self-examination of what it is they do. I would hope that members of my department can skillfully, and with some empathy, work with the agencies to come up with agreements that are going to help resolve these ongoing funding

issues that have been there year after year after year.

Where Government has been unhappy about the deficits, I am sure the agencies are not proud of their record, and we would hope that we can provide some guidance, expertise and assistance and, with good will on our part and the agencies' part, come up with some agreements that are going to be good for the agencies and good for Government.

We may not have all the solutions in one year, and it may take a more painful adjustment with some agencies than others. It appears that some agencies are very close to having a balanced budget and can make that adjustment without a great deal of pain. I think the whole examination is going to be a very valuable one for the agencies as they look at how they spend their money and project their spending.

Mr. Alcock: The Minister started off by saying that I had added my voice to the criticism of the management of agencies, and it is not true. It is not what I said. What I said is, I am not in a position to offer an opinion, because I, like the Minister, do not have any recent study, any study of the management, any suggestion that it is one way or the other. Every study that has been done in the last five years has identified this problem; every examination of the workload has identified a problem; every review by an independent body has talked about a need, and now the department is moving in the opposite direction. Instead of attempting to meet those needs, it is going to ignore them and force the agencies to reduce the amount of service in some kind of blind faith that they can find from within, and it is not true.

The Minister tries to sidestep the decisions that agencies are making about the kind of services that are being offered, but he cannot do that. Right now Child and Family Services of Central Manitoba needs to hire an individual. Can the Minister tell us whether or not the department has approved of that or not?

Mr. Gilleshamer: I am told that a request has come forward from Central Winnipeg. They are in a deficit position and the request has been declined.

Mr. Alcock: What kind of staff position was that?

Mr. Gilleshamer: Mr. Deputy Chairman, I am told it was a protection worker, but that they have the capacity within their complement to reassign someone to that position.

Mr. Alcock: So in the largest agency serving the core—and the Minister talked about variations in the kind of service people operate. One of the variations is that the core agency provides the bulk of the service to very young kids, neglect and abuse victims. So in that agency this Minister is making a decision to reduce their child protection staff. That is the kind of decision that you think is responsible and right and lives up to the charge that you have under this Act?

* (2330)

Mr. Gilleshamer: Perhaps the Honourable Member did not hear the second half of my comment. They have the capacity to reassign someone from the staff complement that they have.

Mr. Alcock: By whose judgment? The agency is making the request to hire into that, so someone who is not on the front lines delivering service is making a decision that they have the capacity? What study do you have that supports that decision? What standard do you have in place that says that it is okay? What do you have to judge that decision against other than your accountant's ledger?

Mr. Gilleshamer: I am informed by department staff that they have the capacity to reassign somebody into that position.

Mr. Alcock: Based on what standard?

Mr. Gilleshamer: I am not familiar with all of the procedures that they have gone through, but based on the information brought forward by the department, the feeling is that they could reassign somebody into that position.

Mr. Alcock: Under the control and direction of the Minister, the director shall ensure the development, establishment of standards of services and practices and procedures to be followed where services are provided to children and families. Does this decision meet the standards established by this department?

Mr. Gilleshamer: By the funding formula that they are funded by, they have exceeded the number of staff positions that they have been funded for, so that they have staff that can, in the judgment of department officials, be reassigned to cover off that particular position.

Mr. Alcock: Is it a funding formula or is it a standard of service as this Act dictates? Is there a standard of service that is being violated by the reduction of this position?

Mr. Gilleshamer: It becomes a funding issue when the agency wishes to hire staff over and above the staff complement that they were funded for in this particular budget.

Mr. Alcock: At the same time, Mr. Deputy Chairman, if the agency is delivering services, as they are compelled to do under this legislation in accordance with the standards established by this department, then they have to provide that service. If you are saying that they should cut back because of your funding policy, are they violating the standards of service established by your department?

Mr. Gilleshamer: We did not indicate that they should cut back on vital services. We have indicated that they can reassign a staff from within their staff complement to fulfill that duty.

(Mrs. Linda McIntosh, Acting Chairman, in the Chair)

Mr. Alcock: Reassign from where? Their staff are providing services in the community. If you take them away from one, then you are saying you are going to decrease one kind of service to favour another. They do not have them in the office. You have more in your office than these agencies do. The biggest agency in this city is his department.

Mr. Gilleshamer: I can tell the Member that there are a lot of organizations across this province who would like to have additional staff, whether it be the City of Winnipeg Police Department, whether it be Winnipeg No. 1 School Division, whether it be many of the hospitals who want additional nursing staff, and Government can simply not accede to all of these requests. By the funding formula that is in place, there are so many positions that are funded and the agency is asked to live within that formula, and in the judgment of department staff they could reassign someone from another area of their agency.

Mr. Alcock: Well, now we encounter an issue that I think is one that is worthy of some debate. These agencies are volume sensitive. These agencies, when a situation arises where service must be provided, must act. They are not like a lot of other services. The Minister is right, choices have to be made. That is what Governments get elected for. They have to make tough choices in the allocation of resources and right now when we talk about the protection of children we allocate .67 percent of our budget, six-tenths of 1 percent, almost seven-tenths

of 1 percent of our total budget is what we allocate to the protection of children in this province. I think that is a priority that we could stand to increase a little bit.

What the Minister is attempting to do is to provide some control on that particular item, and I think it is going to be done at the expense of children. The question is a real simple one. Under the Act you are required to provide standards of service, and the agencies are required to meet them. What is the standard of service for child protection in the core?

Mr. Gilleshamer: I would indicate to the Member that there is no different level of service required in the core area than anywhere else in the province in that they are responsible for the protection of children wherever the problem should arise. As far as volume sensitive, the number of children coming into care, basic care, we are volume sensitive and would provide foster placement for these children when they come into care.

Mr. Alcock: Well, of course, I will preface this remark by saying that you are about to massively destroy the foster care system, but we will talk about that maybe tomorrow. You are right. You are volume sensitive in the provision of child maintenance. You are absolutely right, and you do run deficits there. You are running big deficits there, but you cannot avoid that because you have got to provide care for a child. You are not volume sensitive on the protection side.

Once the kid gets into care there is a system, but it is that identification of the case and that response that is the responsibility of the child protection worker, and you are not volume sensitive on that. That is why you have got this problem, because agencies get pushed to the point where the workers simply cannot tolerate it any more. They just cannot tolerate it any more. They are breaking down. They are burning out. They are leaving. They are having all sorts of—because they cannot stand to see themselves ignoring kids that are being abused. They cannot stand to find themselves doing an inadequate level of service to these kids. The pressure on them is enormous, and you are making it worse.

The question is: What is the standard of service for child protection anywhere?

* (2340)

Mr. Gilleshamer: I have indicated that there is not a special standard of service in the core area. The

standard that workers use is to take children into care when they are deemed to be at risk.

Mr. Alcock: What the Minister just said was a nice thing that people should do. What is the standard? How many cases should a child protection worker carry? It says right here, the development and establishment of standards of service. What is the standard of service relative to child protection? In fact, I would like the Minister to table it. You are required under this Act to establish practices and standards. Table them, read them before you start cutting them.

Mr. Gilleshamer: We have a manual of standards that we will be pleased to table.

Mr. Alcock: Sorry, I was speaking to the Member for—wherever he is over here.

Mr. Gilleshamer: I indicated that we have a manual of some standards and procedures that we will table in the near future.

(Mr. Deputy Chairman in the Chair)

Mr. Alcock: What is the case size for child protection?

Mr. Gilleshamer: I am told that workers handle a variety of cases and a variety of numbers of cases, and that there is no single number written down anywhere which identifies what the caseload is that a worker should carry.

Mr. Alcock: Exactly. Despite the absence of a standard you are still in the position to decide that the agency has too many staff, and it can exist without this staff person. There are standards that are written. There may not be standards written by this department, but there are standards that have been written, standards of practice and child protection.

Yet, in the absence of that, absence of any factual information, you are prepared to accept somebody else's opinion that this agency can get along without that child protection worker in the most troubled part of our city. I would really ask the Minister to re-examine that decision.

Mr. Gilleshamer: The staff involved are here. I am sure they will note your comments, and we will have an opportunity to discuss it further.

Mr. Alcock: Well, I appreciate that, and I will stop on that particular issue. I appreciate the Minister undertaking to do that. We will have an opportunity tomorrow to continue this discussion and perhaps

he will have an opportunity to review that decision between now and then.

The same thing applies. You have a problem. It is exactly the same statement I made when we talked about the service and funding agreements. That is the difference between Children's Home and these agencies. The difference between a shelter and these agencies is this volume problem, that even if it does not result in a case—because sometimes people say, well, you did not get as many kids in care—even if it is a false alarm, if an agency gets a phone call that says a child has been abused, they must attend. The worker must investigate. They must interview people. They must write a report. They must make a decision. All that could take a day or two and produce no activity, but they have to do it for us to be certain that children are not being abused in this community.

I want to talk then about one other policy item, because this is the policy-setting body for this particular service-provision division, and that is this thing being called the structured care continuum in foster care.

I note with great alarm, frankly, this decision that has been made to withdraw money from Family Support. The very thing the Minister was talking about, saying he was valuing. He was saying it is a good thing to support children in their own homes. I support the Minister on that, because it is a good thing. I can show him research that talks about—if you want to save costs in this business there are ways to do it that will reduce your intake and save on your child maintenance funds by putting a little more money into Family Support. I can show you actual case evidence of that.

Instead of following through on that innovative policy, you have now decided to withdraw money from the very limited funds that were made available to that and take it to implement the structured care continuum in foster care.

I will tell the Minister, it is my personal belief that this will harm children, not help them. This will promote movement in care. If there is one thing you want to do when you take a child out of their own home, you want to stabilize them in an alternative home.

This policy is wrong. It is an attempt to push onto the foster care system something that was created for the group care system. It made sense there because by definition those homes are not

long-term homes. If a child cannot go home, you want to provide an alternative home in a normal family setting, and you do not want that child to move again. There is one thing that is associated with illness and disturbance, it is frequency of movement and the ability to bond and form relationships.

You are about to put into place a policy that will increase the amount of movement in care not decrease it. I would urge this Minister with every bit of—I do not know what I can say. I beg this Minister to stop that policy right now, to kill it dead. There are other ways to solve the problem they are trying to solve, but this one is wrong.

There is not an agency that supports it. The foster care association, who got talked into it initially, have reviewed it and decided not to support it. Nobody believes it is the right thing to do except the accountants.

Mr. Gilleshamer: The Member raised this issue earlier. The structured care continuum is going to compile information on the types of care that the young people who are taken into care need and also evaluate the type of care that foster parents provide, given that they provide different levels of care and there is a continuum.

The money that the Member referenced earlier in the day is still going to be used for the workload to do with the structured care continuum, and we have committed \$250,000 for this workload. The money will be spent in that context.

* (2350)

Mr. Alcock: Mr. Deputy Chairman, I am sorry but the press release put out by the former Minister talks about a \$250,000 fund to assist with extra workload with families. It goes on to talk about the provision of support services to children in their own families.

Then the letter that came out on November 20, talks about the \$100,000 of this grant being directed to insist in the implementation, not the study, not the examination, but the implementation of the structured care continuum while the other \$150,000 is to be used by agencies in providing Family Support Services to children and families at risk.

So now, what is it? Are we studying it or are we implementing it?

Mr. Gilleshamer: The spending of this \$100,000 is ultimately to assist families, families who need our assistance in the Province of Manitoba. The entire

budget for the Child and Family Services agencies is almost \$48 million.

This \$250,000 for extra workload with families is certainly going to be spent. A portion of it is going to be spent as we put in place and study the structured care continuum.

Mr. Alcock: The letter says, to implement. Is the Minister saying they are not proceeding with the implementation of the structured care continuum?

Mr. Gilleshamer: I am sorry, I could not hear you.

Mr. Alcock: The letter that references this change, this removal of the \$100,000 from Family Support, says that the \$100,000 of this grant has been directed to assist in the implementation of the structured care continuum. Now, are we implementing that dreadful system? It is disgraceful. This takes the cake as the single most wrong-headed policy I have ever seen this department come up with.

Mr. Gilleshamer: The Member has indicated there is no support for the structured care continuum. The foster families have given support in principle. The agencies have been working together with the department on implementation. Certainly, there may be growing pains as this policy is implemented. There may have to be some changes, but there has been some support. I think the Member is wrong when he indicates there is no support for it.

Mr. Alcock: Mr. Minister, I would urge you to sit down with the head of the Foster Parents' Association again. It is true there was an interest expressed in doing something to organize the funding for foster care back last spring after all this discussion had taken place about basic rate, because that forced through some changes in special rate. The Foster Parents' Association and the agencies were supportive of this move in its early phases, but as it began to come to the surface, as it began to see what the department really had in mind, they have withdrawn that support. I would urge you to meet with the head of the Foster Parents' Association and ask them what they think about it, because they do not support it. It is wrong.

Mr. Gilleshamer: I have taken every opportunity to meet with groups involved with this department. I will take the Member's suggestion, and at some point in the not too distant future I would hope that we can meet with the Foster Parents' Association.

Mr. Alcock: Will the Minister commit to not proceeding with the implementation of this policy until such time as he has had an opportunity to consult with these agencies himself?

Mr. Gilleshamer: I will not make that commitment. I have committed to meeting with groups that interact with this department, and I have indicated that I would meet with the Foster Parents' Association at some time in the not too distant future.

Mr. Alcock: In the interim, it is the intention of the Minister in that department to continue with the implementation of this policy.

Mr. Gilleshamer: That is correct.

Mr. Alcock: Is there any background, any model in another province, any discussion of this policy that the Minister has seen that suggests to him that this is the right way to go, other than the financial analysis done by a group home budget analyst?

Mr. Gilleshamer: The research and information that we have in this area was research that came forward from our own department, and a realization that there were great inequities in the system. Working with the agencies and the foster families, we hope to make some changes. Hopefully those changes will be—and they will be in our mind—positive ones. I have indicated to the Member, who has indicated that foster families have changed their minds and agencies have changed their minds, that I would meet with the Foster Family Association sometime probably after these Estimates are done, or in the new year, and I would be pleased to discuss it with them.

Mr. Alcock: Well, let me close this item for tonight, which is one descriptive comment for the Minister. The need to bring some sort of policy structure to the foster care funding is an admirable one, but there are several ways you can achieve that. The problem with the proposal that you have right now by attaching rates to homes is that when a child goes into a home, you may want to keep that child in that home until such time as they can either go home, or they graduate into independence. If you have got them into a high level home because they are very hard to manage, you either destroy the financial support for that home, or you move them.

Inevitably this policy produces movement, everywhere it has been examined. The more movement you produce for children who are as vulnerable as these, the more destruction you

wreak. You have got to have a policy that stabilizes, and this policy does not do it. It is exceptionally destructive, and I would really urge the Minister to find another way. There are models. There are other ways to do what you are trying to achieve, but this one is not just a poor model, it is a destructive and inhuman model.

Mr. Gilleshamer: I think the Member is basing his analysis on the presumption that there is going to be a tremendous movement in the system, that children will be moved from home, to home, to home, to home—

An Honourable Member: I guarantee it.

Mr. Gilleshamer: —and he guarantees it. I would hope that the needs of the child are uppermost in what it is we do and that the forecasts of gloom and doom that the Member creates around the structured care continuum are not true, but I think that if you are asking me whether I believe that children should be moved frequently in their foster setting, I would say no. What all children need in their lives is some stability and some things that do not change.

Mr. Alcock: Absolutely, and there is a great deal of research that would support exactly that position that the Minister has taken.

There is sufficient experience that would suggest that the policy that they are about to embark on works counter to that, and the problem with it is that you really will not have the definite evidence until after you have very badly harmed a lot of children. That is the problem.

So before you make a policy decision like that, you would best be real sure that you have answered that question, and the current proposal does not do that.

Mr. Gilleshamer: I would seek information from the department. Certainly I do not think that the department is proceeding with a policy that is going to create a tremendous amount of movement on a monthly or annual basis with children in care. I think from my experience working with young people, and anything I have read or seen, young people need a lot of stability. This system or any system that calls for uprooting children on a regular basis is not a good system.

Mr. Deputy Chairman: The hour being twelve midnight, committee rise.

SUPPLY—AGRICULTURE

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 Agriculture. We are on item 2. Manitoba Crop Insurance Corporation (b) Premiums \$19,000,000.00.

Mr. John Plohman (Dauphin): Before we stopped at the supper hour, we were dealing with the new programs being negotiated between the provinces and the federal Government, GRIP, which the Minister is not sure he wants to use anymore, the term, and NISA. One of the things that I was not quite clear on when we stopped the discussions was the issue of the 15-year moving average which the Minister referred to as index for costs.

Does that mean that in fact it is indexed for inflationary costs over that period of time? I think that is important, because I referred to this before to the Minister, but the Economics Branch puts out these little bulletins. I find them very useful, but one of them had a graph that dealt with the per-acre value of production. The per-acre value of production for most crops at the present time, wheat, barley, oats, flax—perhaps not canola, although it is close—is lower now than it was in 1960-61. That is the lowest point in that 30-year period, the per-acre value of production in constant dollars.

It seems to me that if that 15-year average is to be relevant it has to include a significant realistic inflationary formula to it, yet the Minister said it only yields \$5 a bushel for wheat, No. 1 wheat, about \$5 right now. At 80 percent, that is only \$4.00. Does the Minister think that is a realistic figure, or are there some changes that might have to be made to that cost-of-production figure? I guess it can be representative cost production, probably not the cost of production, although it might be interpreted as that.

If it is based on a 15-year average, that is not necessarily a cost of production. That is just what the market value was at that time, but he has indicated the indexing of cost. It is a question of how significant of an indexing is in place to in fact reflect costs. I would say that formula does not reflect costs; it just ensures that farmers will be getting about the same as they would have over the last 15 years. I guess the assumption is being made that

would be close to the cost of production. Am I correct in that assumption?

Hon. Glen Findlay (Minister of Agriculture): I guess what you are really asking is, does this \$5 represent cost for a farmer. I would say, as a farmer almost speaking now, if I look back over the past 10, 15 years, if I got \$5 a bushel every year, I would be very well off as a farmer. There were times when we got \$2.80, \$3.20, \$3.60. Last year, we got up to, well, \$3.80. In '88, with final payment, it got up over \$5.20. So it is very rare that we have hit \$5.00. I would say we were lucky if we got it one year out of four over the past 15 years.

In 1980, we were getting for wheat, after final payment, around \$5.60, \$5.70, somewhere in there. Those were the really good years. That is when the price of everything just took off, but if you look back historically, farmers would be very, very happy to get \$5 a bushel for wheat now. Four dollars, I think, year in and year out, generally, will come fairly close to covering your costs if you are fairly cost conscious as a farmer. If you get out of line with your costs, you are not going to make it, but \$4 as a base, at 80 percent of \$5 is, I think, a fairly respectable price.

Right now, what the farmer is getting at the farm gate for No. 1 wheat is about \$3.16, \$3.18, somewhere in that category, with the outlook for next year not being as good as for this year. I think, if you would look back over time, that is a fairly respectable income to get from wheat. Now it is all relative to all the other crops, of course. Canola, \$5.50, \$6, a pretty respectable price for it.

It is a 15-year moving average index for variable costs. I have not the formula in front of me. I cannot tell you much more than that. By the farmers on the committee, they deem that to be an appropriate mechanism to establish the level of coverage for price.

Mr. Plohman: Well, Madam Chairperson, I am not sure whether they deemed that to be the reasonable price or whether they just felt that is all they could get. I guess it is a little bit of both, but I look back at the graph per acre value of production in constant dollars, in 1973-74 was the highest, about \$375 it almost hit, \$375 per acre. The period that the Minister talked about was about \$125-\$150 in the early '80s. Now it is down to lower than \$75 per acre for wheat, judging on the constant dollars, compared to 1961. So when you talk \$4.00 now, you are not talking a lot of money. Four dollars in 1975

was comparatively a lot. In 1960, it would have been a tremendous amount of money, but we are talking 1990 now.

All I am saying to the Minister is that I know he has a lot of problems working this thing out. I closed before the supper hour saying that he is going to end up getting snookered by the federal Government unless he goes public on this thing a little more in terms of what is actually happening there, because I do not believe he is going to have any allies. So he has a lot of problems, but this is one area I think—I guess it is a good starting point. It might be a good starting point. I do not know whether it will be improved, but I would think that producers who are involved must be somewhat skeptical. I think the only reason they would go for four is that it is a lot better than three, what we have now.

It is still bad and I question whether they can make a go of it. You do not want people just staying in, the same farmers to continue to be in the same crisis they are now, but just a little slower death than what we would have if we had this year's situation every year from now on till the year 2000. You can imagine what it would be then. Would four do it? I do not think it would pull too many people out. That is all I am saying.

Mr. Findlay: I appreciate what you are saying, but if you look at what inflation has done over time, there is no question. Everybody talks about increases; the farm incomes in terms of price per bushel have done this over the last 15 years. It has been continuously that way, and the only reason farmers stay in business is their efficiency. Every time we have an efficiency increase it gets translated directly to the consumer. It just lowers the cost of food, and we have borne the brunt of that over and over again, and lowered the cost of food not only to the consumers in Canada, but all over the world. We just transferred our efficiency to the consumers' pocket over and over again.

It is just the nature of the beast, and if you try to support price at any figure higher than that, you are into an actuarially unsound program. All it is is a constant transfer of dollars from the taxpayer into the farmer.

An Honourable Member: Federal Government.

Mr. Findlay: Yes, I appreciate that they have the same problems we have in terms of capacity to pay, in terms of taxpayers' resistance, and so on and so forth. It is a reality that we have lived with for a long

time that the value of our products continues declining, and is probably going to decline a bit more in the next three or four years the way that things look right now.

Mr. Plohman: This is such an important area that I want to just take a few more minutes at it, Madam Chairperson; that is dealing with the discussions that are taking place now. The Minister responsible for Trade and our lead Minister at GATT, John Crosbie, has made some comments that have angered some people involved in agriculture because it seems that—I do not know what his strategy is and why he is saying them. He certainly has made comments that, paraphrasing, it is just an unreal amount of money going into agriculture. He is said to have told his colleague Mazankowski something like \$8.8 billion a year in assistance to agriculture. That figure has been stated as being about six times as much as reality. I do not know what he was including in that.

I wonder if the Minister has written a letter to the Minister federally or asked his staff to have that clarified, that figure, because it is a figure that was printed, I believe, in the Western Producer and other newspapers. It is possible that he has to have this issue taken up with him, because I do not see our lead negotiator using those kinds of figures, and we will move into the GATT talks perhaps.

I do think it is important that the actual figures be available that would be comparable to what we will be paying under the GRIP or what Canada and, I guess, the provinces would be paying. You cannot count the producers' contributions in that, but what the Governments would have to pay, because the Minister just finished referring to an actuarially unsound program if it was set too high, and that there would be constantly taxpayers' money going into it. It is a question of whether it would be much more than the ad hoc programs that are going now into it.

* (2010)

So I ask the Minister whether he has a figure yet of an amount per year that would be needed from Governments of both levels, federal and provincial, to keep the GRIP portion of the program going?

Mr. Findlay: The figure that was used last week was that the overall premium in the country would be \$1.2 to \$1.5 billion. So that would be the annual cost by the three participants to pay the premium, but that is very much a ballpark figure projected, including

the producers, including two levels of Government, and the producer would be in that category.

You mentioned the \$8.8 billion, and maybe if Craig Lee is just coming in here now, an ADM, he will give me the exact breakdown, but that \$8.8 billion was calculated including the direct payments to agriculture, ad hoc payments and the benefit ascribed to the producers through supply and management.

The difference in the value of supply and managed products outside the country and inside the country, and I could be corrected, is roughly \$2.7 billion of benefit that is part of our so-called benefit to agriculture from the consumer one way or the other, either directly or indirectly through the taxpayer. Those figures are—you can argue with them forever if you want, but really, if we are going to start and have to go through a 50 percent reduction, let us keep the figure high to start with. -(interjection)-

Yes, that is using '88 figures. That is back when the ad hoc payments were the highest, so that is where the \$8.8 billion came from. It is not all real dollars. A lot of it is indirect support to agriculture through supply and management, but it is still coming from the consumer, either through the consumer purchase or through the taxpayer's dollar.

Mr. Plohman: Madam Chair, when we talk about ad hoc programs, I would like the Minister to try to outline just quickly what ad hoc programs we are talking about here. Are we talking about interest-free cash advances, if that would have to go with this program, would the fuel tax rebates that will be removed January 1 completely, which we are lobbying to have in? I hope the Minister—I understand from his answers in the House that he is, and the other Ministers are also, lobbying the federal Government, particularly at a time when fuel costs are rising, to have them reinstated.

Is that one of the ad hoc programs that they are going to take the dollars from, theoretically, for this program? If it is, what others, the drought payment I guess, the special grains program and so on in a couple of years that we will put in place, the Western Grain Stabilization, but the first two I mentioned?

You know, I would not see if those are going to be removed permanently like interest-free cash advances, for example, and the fuel tax rebate which we say should be back in place. I would say

it should be back in place even with this program, particularly since the cost or the price insurance level will be only \$4 per bushel for wheat, using our example there. It is just not enough if you are going to have this kind of skyrocketing fuel costs and high interest rates. Does the Minister agree with that?

Mr. Findlay: I cannot answer for the federal Government as to where they are going to source their funds from. The way they are presently trying to get it cost shared, a lot of that money is going to come from the other two participants, the way they would like to see it done. On their side of the coin, I cannot tell you other than the producers that have talked to me, who have been on the committee, have indicated once in a while that this is a roundabout process to lock in the ad hoc that has been coming year in and year out.

We averaged it over the past five years. What they want to do is lock it in as a support to the industry. On the other side of the coin, the level of coverage that GRIP will offer is not seen to be a saviour for the industry. To prevent further shipwrecks is all it is there to do. It is not by itself going to solve our problems of low grain price.

That is why there are two other things that have to be part of this package: one is some restructuring of the process in GATT so we know our future a little better; the other is the third line of defence—or you might better call it further ad hoc, as the Member talked before the break—for next spring still has to be part of the package to support GRIP in the next two or three years while grain prices do stay low, because we cannot fight a trade war with GRIP.

There just absolutely is not enough money here to pay enough premiums to fight a trade war through the GRIP process. I have always said that. GRIP cannot fight a trade war, a grain trade war. There still has to be a respectable price obtained from the international marketplace, and \$3.20 at the farm gate is way below a respectable price.

I would say, over the course of the next five years, the international marketplace has to return something in the vicinity of \$4 to make this whole thing actuarially sound. We are way below that now, and we are going to need that third line of defence ad hoc injection next year and probably the year after, and I do not know what beyond that, in order to make this whole program function in any sort of reasonable way.

Mr. Plohman: Well, I am glad the Minister stated that, because I think that is the first time I have really had a definition of what third line of defence means. If it means carrying on with very much the same programs we have now on an ad hoc basis in addition to GRIP, then I would feel much more comfortable with what GRIP is going to offer.

However, my feeling is that since we are going through this very difficult process right now it might be the time to do it properly rather than something that just does not quite do the job insofar as a cost-of-production or income guarantee for farmers, something that I think farmers have longed for, for years, for many years, since difficulties that payments are subject to have existed.

I think that it might be an opportunity. This is an opportunity. We are getting the feds to come to the table along with the provinces to in fact—and this is why I am raising it with the Minister now.

We do not know how smooth this is going to go, and it may be an opportunity to come in with some revisions along the way. This may not be done on this round of discussions. It may be that it falls through and that it is the start, it broke some ground and there may be another effort made in a year or something like that, or maybe it will be a continuous effort.

He should consider perhaps putting forward that there would not be a need for all these ad hoc programs if this was done properly. Maybe there is enough of a carrot there for the feds to actually say: Yes, I see the point now; let us move forward with some significant increases and improvements to this program so we will not have to come forward with this third line defence, as the Minister says, over the next number of years, which is going to cost them more.

Maybe this would cost less, a proper cost-of-production formula as opposed to one that just does not quite do the job and you need to keep on putting this infusion of ad hoc programs in. I think they would be better off if they had it in an organized cost-of-production insurance plan that would be put in place.

The Minister may want to comment on that, but I ask him as well whether he has asked the feds if there is any new money coming from them in this program or whether in fact there is no new money, as a matter of fact, maybe even less than they have been paying in the last number of years.

Surely the provincial Ministers must have put that to the feds. The Minister said earlier, well, that is not his concern, where the feds get their money, but obviously it is. You want to know what they are replacing and where they are getting their money to see whether, in fact, they are doing what is fair here. If he has not asked that, I think he should.

Mr. Findlay: I guess when somebody talks about covering the cost of production, I often want to ask the question, what is meant by cost of production, whose cost of production, or do you believe in a structured formula by somebody going out and interviewing a group of producers and then deciding that the most efficient ones, that their cost of production should be used?

In the course of what we are talking here with IMAP, it is a process of trying to have a base level of production costs supported. It may not be the full cost of production of the more costly producers. It clearly will be more than the cost of production of the most efficient and, certainly, the better than average established farmer.

* (2020)

There are a number of different mechanisms in place right now to establish, in theory, some kind of cost of production. Supply and management does it. The tripartite programs do it for the seven commodities I mentioned before, all designed to have some method of establishing what the cost of running the operation is.

I do not think it is possible to have the full cost of production for everybody in agriculture. I think the various mechanisms that are used, whether it is IMAP here, or whether it is tripartite, or whether it is supply and management, those various mechanisms are all in place. I have to say for supply and management, I think the mechanism is fairly good. If you listen to the consumer, probably that figure is too high.

I was very surprised that a little over a week ago, *Globe and Mail* was running some articles very negative on supply and management, really saying consumers are paying way too much. Kind of a ridiculous statement coming out of Ontario, because that is the base of their agriculture there. The consumer in that part of the world has the lowest cost of food anywhere in the world. They have all the benefits and all of a sudden they want to have it the cheapest too. So cost of production, every person has a different angle as to what it is.

I just think that the history of agriculture has been that we have to maintain our efficiency and keep our cost of production down to be competitive in the world market, because we are competing with lots of countries that have much lower cost of production than we do, because they have lower input costs, lower labour costs. We have to compete with them in terms of selling our grain to the Chinese and the Russians and wherever else we are selling grain.

If I look back at the history of supply and management and having a cost of production formula, it has tended to rise. It has tended to rise all the time. As I said, our wheat prices have always tended to decline. So you have the people that are oriented at the export market, which is the majority of our production, having to deal with this problem and our supply and management people going this way. So somewhere the twain is going to meet, and there has to be a balance and everybody has an equal chance to participate.

I have argued long and hard that there has been an imbalance in this country with regard to where supply and management is distributed over time. We are on the short end of the stick here in the Prairies. We have about 11 percent in this province, Ontario is 40 percent, 50 percent, somewhere like that, Craig? -(interjection)- 40 percent? 40 in Quebec, 30 in Ontario. I mean that is a tremendous base to their agriculture, and if you are diversified with a little bit of supply and management, it sure helps to make your farm run a lot more smoothly.

Here in the Province of Manitoba, we say 11 percent, but a lot of it is distributed in the southeast part of the province where there is a lot of wealth in agriculture, much better than the southwest where there is little or no supply and management. So it is all a matter of where you are at in the industry as to what you want to see done in the future. I think that if we are going to continue to be exporting and being competitive in the world market, we have to keep our costs in line. This process, this mechanism of support, individualized as it is to each farmer, I think, is a move in the right direction and will give some level of support but will not be the panacea to save grain farmers.

There has to be a further structured process of resolution of trade problems and that third line of defence. Just so the Member has an understanding of what that third line of defence is, the discussion starts at first line of defence which is the farmer's own ability to produce; second line of defence are

the safety nets, GRIP, NISA; and third line of defence is technically another word for ad hoc. As I said earlier, the federal treasuries said any further ad hoc or third line of defence kind of money has to be channeled through the second line of defence or the safety net process.

Mr. Plohman: The Minister did not deal with the issue of where the federal Government is getting its money and whether in fact they are going to be contributing more than they are now. After this discussion, I do not know whether he has a comment to make on that.

In the meantime, I also wanted to ask him, or to point out to him and restate my position about the realistic cost of production, and maybe the supply management formulas that are used for cost of production should be used in this case. I do not know whether he finds the one that they are going to apply the 15-year moving average, whether that will in fact yield about the same as supply managed formulas would for them. If he would think it is comparable, then I think we are talking realistic.

I understand that you cannot have an individual cost of production formula, although it perhaps could be insured on that basis too if individual premiums paid by the individual are higher, if they are not as efficient. That is one way to tailor it really to each individual farmer. Obviously, there is an incentive then for bringing down their premiums by becoming more efficient and lowering the cost of production.

I do not know if it is possible, with the information that is available, to do that, but I want to re-emphasize one more time the issue that GATT is not going to solve the problems. The Leader of the Liberal Party (Mrs. Carstairs) stated that earlier, in five, 10 years. I know the Minister stated five to 10 years. I think that is perhaps optimistic. There may be a marginal impact. Some people say about an 18 percent decrease in production worldwide if there is a resolution which would increase the price theoretically. Then I look at the countries that are not even at the GATT table, such as the Soviet Union, that could throw the whole thing off by itself if they get a handle on their agriculture.

I do not look to that as being really any solution. I do not think it should be presented as a solution. I think there should be every effort made at the international level to resolve it, but I do not think anyone should present that as much of a solution

for the farmers, because it gives them false hope. I think this is the answer, the issues of safety nets and realistic cost of production and third line of defence of course, then as described, additional programs when required.

That is the only way to keep our rural communities and our family farms, I believe. We are not going to get it at Brussels or Geneva or anywhere else really. I think we should be saying that more. I know I am saying it whenever I have a chance to say it, and I think the Minister should be saying that too rather than what we have heard over the fall which was—and as Devine was saying this. This is where we have to pin all our hopes—public meetings on it all around.

It was put forward as the panacea, and the Minister has been relatively silent in saying that. He has stated it a little bit more lately after the last discussions, I feel. Maybe he thinks he has been saying it anyway, but I think if he has not been saying it, he should have been, because I think the farmers out there were probably putting a lot of faith in that. I think they are very pleased. That is why they are supporting what is going on with the safety net, because they see this as the real solution, but we are falling short if we do not have an adequate cost-of-production formula in here.

Mr. Findlay: I would say that we have, in terms of being able to protect a farmer with regard to what his costs are, about the best that we can come up with. There are always other mechanisms that could be used, but this is the best we have right now.

With regard to whether GATT is a solution, no, it is not. It is not a plan I see of a solution. I said to you in answers to your questions that the GRIP, NISA process safety nets certainly have to be what we have to work with for the next five years. Beyond that we might have some recovery in grain prices, because we have a better discipline in international trade.

The reason I think it is important that we have some resolution at GATT is not so much to solve problems re: turn things around in the grain sector but to prevent further disruptions in fair trade practices in food around the world, going well beyond grains and oilseeds and getting over into the meat sector and getting much worse than it is today, because the European community, what they are doing today with all the internal supports they have

in place, they are just going to continue to mushroom the production.

The incentives are so strong. I mean technically—if I want to use the word—their cost-of-production formula is so rich that you can make money at it. All you have to do is spin the wheel and you automatically make money. It is such an incentive to produce it is incredible.

They have taken themselves from being in a deficit position of 15 million tonnes a year to a surplus of 20. So you can see when you put money into it, it really makes production occur. They are going to continue to have their output, and it is going to be in all kinds of areas well beyond grains and oilseeds.

If they continue this practice of dumping it in the world market it hurts us as exporting countries, and it hurts the smaller countries who are trying to become self-sufficient. It makes the value of the product so low that they cannot get themselves up and running.

What role Russia is going to play in the future is a rather interesting one, and all the East Bloc countries—tremendous land base there, a good land base, every bit as good as we have and more acres involved. Over a course of time, they are going to get their act together. They have been standing still for 50 years, but they are going to get their act together in time.

What that does to the overall supply of food in the world, the overall value and whether we can continue to be so dependent on export grains, is a situation we better be analyzing very carefully in the next period of time. I would have to say we better be as aggressive as we can to reduce our dependence on export grains, because I think there is going to be a surplus of that for a long time to come, after the next five or 10 years, whenever Russia and China really get their act together and start producing. They have the people; they have the land base; all they have to do is apply our technology technically.

Our technology is going to go over there. They are going to be buying it. I had the opportunity to meet different groups coming from that part of the world. They are coming over here to look and see what we are doing. They are in awe—they are absolutely in awe of what we are doing and how we put our system together.

They cannot believe that we can have everything ready at seeding time to get the crop in and

everything ready to harvest to get it off and we do not lose 40 million tonnes in the transportation process and storage processing. They just cannot believe what we are doing.

* (2030)

You can bet your bottom dollar various companies are going to be over there selling them the technology and give them a little time. If they have the revenue they are going to be putting the system together and do a very good job of it, because now that the people are free to get the reward for their efforts they are going to do it, just like western Europe has done. They got the reward for the effort through subsidization. They are turning out the product, and they are going to continue to do it.

I think if we can get some structured discipline in international trade of agriculture we will be better for it in the long run, because we are so dependent on it.

Clearly you are right. It is not the panacea to recover from the situation that we are in right now. You know, this from a point of view as I see it, over the past two or three years we really had a shortage of food supply in the world—a fairly significant shortage—where the stocks-to-use ratio got down to as low as 22 last year. It used to be in the 50s and the 40s you know—that was really low.

Ten years ago that would have caused the price to shoot way out of sight because there was not the supply. It did not happen, but the minute somebody says, well, we had good crops, the price drops.

Really a stocks-to-use ratio now is 24 as opposed to 22 last year. It is no significant increase. We are still in a drought here in North America. I mean, next year we could be very short in production, but I can bet your bottom dollar the price is not going to shoot up, because the price structure through supply and demand just does not work anymore. I think it has a lot to do with the subsidy process.

If I was a buying nation, I would not bother paying attention to supply and demand either, because I know somebody is going to give me the supply I want and subsidize it in the process. That is the hard thing to understand and to say that we can live with that forever and a day is just unthinkable in my mind.

Mr. Plohman: Madam Chairperson, I just wanted to make another comment regarding the other part of this whole program. NISA has been kind of put on the back burners a bit, I guess, the Minister has

indicated, while the GRIP discussions are going forward. I agree that it should be, that the very most urgent is the crop insurance and yield for the GRIP program as being the most important right now, but it seems that the NISA program would only benefit really the farmers who are the wealthier farmers who have some money to put away and gets some benefits from the federal Government to match the figures through their income tax. Is that how it would work?

The Minister was explaining earlier that it would be something like an RRSP, but anyway, I do not think that when it is such a difficult time for most farmers, they can benefit from that kind of a program. There is only a select few that are really going to benefit from that at this time, because it is raining now. It is not putting it aside for a rainy day. How can it be raining any worse than it is right now? So I do not think that is near the priority at the present time that the other portion, the GRIP portion, of the negotiations is.

Mr. Findlay: I will quickly give you an idea of how the NISA mechanism would work. It is an account that would be set up by each farmer in whatever financial institution he chose in his local town. It would be an account that he could contribute 2 percent of his eligible sales. It is not just his grains and oilseeds sales. If he is in livestock or whatever, supply management, his gross income, his eligible gross income, he can contribute 2 percent of it after tax, after tax.

When he puts that in the account, the federal people have offered to give him a 3 percent premium on the interest rate he would attract for that money in that account, so that is one carrot to put it in there. The other carrot is it would attract equal contribution from Government. So if he put in 2,000, he would have it matched by Government 2,000. So he would have 4,000 in the account, half of which would be earning interest at a 3 percent premium.

The account would build up over time, and he could draw upon it in the future. There would be two triggering mechanisms; one is if his gross margin was less than the five-year average, or if his taxable income dropped below \$10,000.00. If you are looking for any kind of a definition of guaranteed income, I guess that is technically it, but the way the program is set up is that you will never be able to draw the account into a deficit. You could only draw out of what was in there.

Farmers have said to me—maybe it sounded like just as you described, only the wealthy would be able to benefit, but if you could attract matching contributions by just technically going and borrowing the money and putting it in there and get the matching contribution, there is quite an attractive mechanism there to get you to put it in there.

I would have to suggest that would be the most effective vehicle to handle the money from the third line of defence into that account, and a farmer could draw upon it if he wanted it. If he did not want to pay the tax on the money coming out, he would leave it in there. It is up to him to manage it. It is his rainy day fund that he can manage, but it is not going to work in this period of time very well, because there is not an opportunity to make any significant contribution. If it had have been working over the last 10 years, there might be a reasonable account to work on it in the last two or three, but the revenue into it has to be generated from the third line of defence right now, but over a course of time.

The people who have been in program designing say that if you look back over the past, if it had have been place, it might have worked a lot better than existing programs. It is going to take some time for it to build up the kind of revenue that is going to be needed to be drawn upon in the future. That is kind of the theory that is behind it. I would say there is one province that does not really care to participate in NISA, but I think if they go back and look at it, they may well decide, because it attracts the contribution from the federal Government as bringing money into the province.

Mr. Plohman: I would certainly hope that the ad hoc programs would not pay only into that account, because that would be very unfair for those who could not afford to match the payments. I understand they would still have to put their dollars in, these dollars from the feds. If that was not the case, then it would not be that mechanism at all, because we talked initially about the individual farmer putting in whatever he thought he could afford and then the federal Government matching those dollars and a premium, on the portion that the farmer put in, of 3 percent.

If the ad hoc programs were paid in, then it would require matching from the individual farmer who needs the help, so it seems to me that it would just be a separate mechanism entirely. It would not be—the Minister shook his head. It would not matching from the farmer, so therefore, it is not part

of that program then. I do not think it is part of the program the way he describes it. I would hope that it would not part of it, because it certainly would not be possible for those farmers who need the help the most to pay into it to match it.

Secondly, I do not think that it is a good thing, when farmers are so much debt already, to be encouraging, enticing them to go further into debt to put money into NISA. I think that is certainly the wrong message to be sending to farmers. Will the Minister agree with that?

Mr. Findlay: Madam Chairperson, that is interesting because of an argument we had a couple of weeks ago. The Member is now on the other side of the argument. In those days, he was advocating making money available to farmers to get themselves into debt. Now he is saying, get out of debt. I guess maybe I did not make myself clear. The mechanism is there for NISA to run with the contribution to be matched.

I am just saying the ad hoc program, that might be a vehicle separate from the contribution side to put into the account to get the account built up. It would be a pure injection from the federal Government to start the program. That is one way to look at how NISA could be started up, because without a cash injection and no ability to draw it in the deficit, it is not going to have money in it to make it work. It will take some time. The really effective and workable programs right now are the modified GRIP process that we talked about before.

* (2040)

Mr. Plohman: Just to clarify with the Minister, I was suggesting that the MACC would provide additional low-interest loans for young farmers who were having to borrow elsewhere at higher interest rates, to save them money, not to encourage them to borrow more. I made that clear to the Minister at the time. It is, in fact, he who said we do not want to encourage people to borrow more, but now he says perhaps they could even borrow it or put it into NISA. I think that certainly would not help farmers during this very difficult time they are facing.

I think I am ready to move on to other areas, but the Member for River Heights would like to ask—

Mrs. Sharon Carstairs (Leader of the Second Opposition): I would like to ask some questions about NISA. I did not think we were going to get into it, but we might just as well get into it and finish it at this particular time.

As the Minister knows, the strength of the RRSP program is that the money is put in before tax, not after tax, and that is why it is so attractive. I agree with the Member, that the only ones it is attractive to are those of us who have sufficiently high incomes that we can take some of our monies and put it into an RRSP, unless, of course, we are part of a retirement program which limits the amount that we can in fact put in. What has been the rationale behind the NISA saying it has to be after-tax money?

Mr. Findlay: The initial process started out wanting to be able to put it in before tax; that was the desire. Federal Treasury said no, that they did not want to do that. They offered, instead, the 3 percent premium on interest rate as the offset to putting it in before tax dollars. That has gone on. It has been a decision that they are in, and they say that they are not going to relent on their decision. It is absolutely after-tax dollars. On that portion that the farmer puts in, he does not pay tax when it comes out. He will pay tax on the Government contribution that comes out, and on any interest earned in the program. He pays income tax on that when it comes out, if he draws it out.

Yes, we wanted it to be an RRSP type, before-tax dollars, because that would be a fair incentive for farmers to do that, because farmers hate to pay tax as much as anybody else and they would do that sort of thing, but now it is after taxes. It is not quite as attractive, although they say the 3 percent premium on interest is an offset. To what extent it is an offset, I cannot honestly answer.

Mrs. Carstairs: Obviously, the 3 percent would very much depend on the tax rate that the individual farmer was paying. If they were paying a 50 percent tax rate, a 3 percent premium is not a particularly inducive kind of attraction. If, however, they are paying minimal amounts of tax, then it is an inducement, but the other counterargument to that is that presumably when they pull it out, it would be at a time when their income level was considerably below what their income level had been in previous years. Presumably the tax payable on that amount of money, even the federal contribution and the interest, would be relatively low at that particular juncture.

I can understand why the federal Government does not want to move in that way, because that would lead small businesses, because they would also like to get into some kind of an RRSP program, and a number of ventures that would like to use that

as an avenue for collecting money and then investing it in the same way the old home ownership program used to work. You could put money in—put it in interest-free and then bring it out when you purchased a home. A lot of young couples certainly took advantage of that. The federal Government did not like it particularly, because it was a reduced revenue for them. In terms of the actions with respect to NISA, I understand it is P.E.I. that has indicated that it does not want to be a participant, I would assume to some degree because of the size of its population base, despite the fact that in that population base it has a high number of farmers. Is there general acceptance among the others that this is a reasonable way to go even though the federal Government will let them use the RRSP mechanism?

Mr. Findlay: With regard to what provinces thought about NISA, nobody else objected to it other than the one that she identified. Everybody else seemed to go along with it or at least brought no objections to the table. So there seems to be general acceptance of it, and I think that the fact that income from any agricultural sale is fairly attractive to people outside of the grains and oilseeds sector. It is a management tool, but I would just also say to the Member, when a farmer draws out of that account, it is the part that came in from the Government that they draw out first, so that they would be paying the tax at a time when the income is low.

So the level of tax would be fairly low. I cannot give you the percentage of farmers that are not paying tax now, but it is fairly high. So if it was operating today, there would be a lot of farmers who would be able to draw it out, paying virtually no tax.

Mrs. Carstairs: I just have one final question, and I hate to bring him back to GRIP, but it is my understanding that Alberta has tried to tie the GRIP program to some acceptance of their philosophy with regard to the Crow benefit. I would assume that since this Government has not made any decision with regard to the Crow benefit they would not be prepared to accept that limitation imposed by the Province of Alberta.

Mr. Findlay: I do not see that being a factor in GRIP, NISA. Alberta, whatever game they are trying to play, they are not going to get anywhere with it as I see it right now.

Mr. Plofman: Madam Chairperson, there are a couple of other points on NISA that came to mind,

one dealing with capping. Does the Minister see—have there been any discussions with regard to the possibility of putting a cap on the maximum amount that could be put in, realizing that if you do not the person with thousands of dollars available is obviously going to get the federal Government to match their contributions plus get that interest premium? It is really going to benefit those who have and those who do not are not going to be able to get that benefit from the federal Government to the same extent at all.

So it seems to me that there should be a cap on something like this, or else there has to be at least a premium for that program based on a percentage of the amount that you put in. I do not know if the Minister talked about premiums on that side of it, what the producer would have to pay to be a part of the NISA program.

Mr. Findlay: The level of contribution, the maximum contribution presently allowed is 2 percent of eligible sales. The maximum eligible sales allowed is \$250,000; 2 percent of \$250,000, a maximum they can contribute per year is \$5,000, so there is a cap on the program. -(interjection)- There is no premium. The premium is the contribution, and it is 2 percent of eligible sales.

Let us say you are a farmer who sells \$80,000 worth of wheat. You maybe buy \$5,000 worth of seed. Your eligible sales is the difference or \$75,000.00. You can contribute a maximum of 2 percent of that or \$1,500.00. You can draw a matching contribution from Government of the same amount, but the maximum eligible sales that you can contribute on is \$250,000, so that is the cap.

Mr. Plohman: So, clearly then, this matching amount from the federal Government is just an outright gift to that individual. He does not have to contribute something to get that Government money, because the money that he is putting in, he is going to get it all back anyway. It is not going to be shared with anyone else, an insurance plan or stabilization plan or anything; it is his. The matching amount from the feds is then just a gift, so is the 3 percent interest bonus. So this is a pretty rich program.

* (2050)

I would think that the Minister would be objecting to use of Government money for that purpose, at least initially, when we are dealing with such a crisis in terms of income at the present time for many

farmers. He would be advising the federal Government that they should be putting their money into GRIP rather than considering putting it into NISA at this time.

Mr. Findlay: Okay, we look at GRIP. It is to support on the gross income side. NISA protects him even if his gross income support under GRIP is still not sufficient, if his cash flow works out that he is still short of income. Still short of income, he has this other avenue to draw upon. So one side supports his gross income, the other supports his net income. That is perceived to be, in the long term, the better way to support the farm income.

So, if you as an individual—and again remember it is individualized—even though your gross income is supported through an income insurance plan, your net income is still low, and you can draw upon this program. So the two together are deemed to be a good combination for an individual to manage himself in terms of risk protection on the production side and on the income side. It is there for everybody to use.

That is why I said, because you can attract the matching Government contribution, it is fairly attractive to be sure that you do contribute your portion. It is—you used the word yourselves—fairly lucrative to get the money in there so that you can build up the account to draw upon when the rainy day comes.

If you do not discipline yourself to make your contribution, you do not draw the matching contribution. It is not there to use in the future when the time comes that you need it.

As we go through time—let us say five or ten years—I think the dependence on GRIP will diminish and the dependence on NISA will increase as a farmer manages his accounts over time.

Mr. Plohman: I think I still stand by what I said earlier, that initially this federal money should be used for the GRIP contributions. This strikes me as a real gravy train for those that are well off and have the money to put in. They are not going to lose that. That federal contribution is going in there, and it is going to build with interest, regardless of whether he has some bad years and has to draw on it or not. It will stay in there.

I guess the question is: If he never has to draw on it, could it grow to any size, and then would it become part of his estate when he dies, that it is his money—not only his own that he contributed but

also all the federal contributions plus interest would become part of his estate?

Mr. Findlay: When a person retires from the business and his income from actual farming ceases or slows down, then the triggers start to occur and the money rolls out. He cannot stop it rolling out. There are triggers there to roll it out, and he will have to pay the tax on it. So it is going to roll out and that is when he gets taxed. He can either roll it out himself voluntarily while he is farming or at the end it will roll out. It serves as a bit of a retirement process and a retirement income.

Right now many farmers depend on selling their land as a retirement income. I tell you in a family situation that is fairly tough. Let us take myself, I retire and my son is there and I cannot charge him the value of the land. He cannot pay for it. I have to roll a lot of it over to him and then I have no retirement income. So this is one mechanism that will give me a retirement income. I can exit gracefully, and the son does not get burdened with debt trying to stay in the business.

Mr. Plohman: Madam Chair, I just wanted to ask the Minister one other point—question here dealing with the eligibility for ad hoc programs.

Did the Minister say earlier that any farmer, once this is in place, if he is not part of the GRIP program or, I guess, in the case we were just talking about, NISA—if it was funnelled back in through the account set up through NISA, then he or she would not be eligible for ad hoc assistance, and does the Minister support that idea?

Mr. Findlay: I would have to say that one of the reasons we are working very hard in the second line of defence, or the safety nets, is because there has been a very strong statement at the federal level that any ad hoc assistance will only roll through structured existing programs. The third line of defence will roll money through the second line of defence, saying very clearly that the farmers have to participate. If they choose not to participate, they do not pay premiums on second line of defence, but they also will not qualify for any third line of defence support in the future. That is what the federal Minister is saying. Over the weekend, somewhere out west, he was very adamant on that, that a person has to voluntarily enroll in the second line of defence. If that is not sufficient to meet the need, then the third line of defence kicks in to support the

second line of defence. That is the mechanism they are trying to put together.

Whether I support it or not, I guess I would have to say we have gone around and around this merry-go-round trying to support farm income, and one of the reasons that some of our programs do not work is people do not participate. I guess now we are saying it is a very tough decision. If you participate, there will be a support process to keep you in business. If you decide not to participate, you are making a very major decision to stand on your own. Whether that is right or wrong in the long term, I guess we will find out, but that is the process that has been put in front of us. We are being told that is the only way the federal money will come. They have been very straightforward on that and very strong on that over the past few months.

Mr. Plohman: Madam Chairperson, if the program is no longer voluntary, then the Minister stressed the voluntary nature initially. Now, with this revelation, I would not stress that at all. If I was him, I would not talk about that at all, because it really is not voluntary. Can you imagine the situation where the farmer who decides he does not want to be part of GRIP suffers a complete drought along with everybody else in the neighbourhood, and his neighbours are enrolled and he is not, so he does not get any drought payment? That is exactly the kind of scenario that could happen, and that is absolutely ridiculous.

I think the Minister should take this up with his counterparts in an aggressive way. It seems to me that the program should sell itself. If it has benefits, if it is a good program, farmers are going to enroll. If they like it, if there is the support that the Minister says there is—and I believe there is support for some type of stabilization program, some type of cost-of-production formula, a safety net, that will assist farmers during these difficult times. I think there is a lot of support. I do not know who would not support that idea, but if it is not a good program, they are not going to enroll.

I do not think they should be coerced into enrolling by in fact telling them that if there is a disaster, you are finished. You will not get drought payments or whatever the case may be. I think that is wrong. It is not fair, and the Minister should make a real point of that.

Mr. Flindlay: I guess one of the problems we have had in the past with, say, crop insurance as an example, people say, oh, why should I enroll? If there is a disaster, they will bail me out anyway. I do not have to do anything on my own account. What we are saying now is, we are setting up a second line of defence. It is more comprehensive. It is targeted, and yet it is still voluntary for a person who enrolls in it.

A third line of defence may not be payments directly to the producer. As I said before the supper break, the third line of defence could well be support to the second line of defence in terms of keeping the deficit under control, because there will be payouts as we see it now, very significant payouts under GRIP. The third line of defence may be just writing off the deficit in GRIP.

It may be necessary to maintain the actual soundness of that program in any fashion in the future. As I said before supper, what they did in WGSA two years ago when they wrote off \$750 million of deficit was technically an example of third line of defence: the money not going to the producer but to support the account that is there for him in the second line of defence.

So I just do not see the third line of defence in the future really as going directly to the farmer unless it is in this kick-start first year. After that I think it will be to support the second line of defence program, either to support GRIP or to support NISA.

Mr. Plohman: Moving to the Crop Insurance Corporation, I would like to ask the Minister to what extent there were claims this year and whether they have all been settled for those farmers enrolled in crop insurance.

Mr. Flindlay: Just taking the All Risk Program, which is the major component of crop insurance, indemnities paid out in 1989 were \$113 million. This year they probably will be around \$8 million. Way, way down. The lowest it has been for a long time, and obviously because we good had crops all over the province.

Madam Chairman: Item 2. Manitoba Crop Insurance Corporation: (b) Premiums \$19,000,000—(pass); (c) Canada-Manitoba Waterfowl Damage Compensation Agreement \$300,000.00.

Mr. Plohman: Madam Chairperson, this has been the same amount now for several years. Is it used this year to the full extent?

Mr. Flindlay: It varies in proportion to a wet fall. If you have a wet fall, you have a pretty big draw on it, and we certainly have not had a wet fall for a little while. In this past year, we do not have the exact figure, but it is certainly substantially less than \$300,000 that is voted here. It is there in case you run into those circumstances, but it just has not been drawn on very heavily in the past three or four years.

Madam Chairman: 2.(c) Canada-Manitoba Waterfowl Damage Compensation Agreement \$300,000—pass.

Resolution 7. RESOLVED that there be granted to Her Majesty a sum not exceeding \$21,904,300 for Agriculture, Manitoba Crop Insurance Corporation \$21,904,300 for the fiscal year ending the 31st day of March, 1991—pass.

3. Manitoba Agricultural Credit Corporation \$15,310,800.00. Administration \$4,410,800.00.

Mr. Plohman: Madam Chair, the Minister talked about the interest reduction program; I am not sure if that is the right word. I see in the Supplementary Estimates a term called Guaranteed Loan Program. Is that the same program? I would ask the Minister: Is that the interest rate reduction, "the Guaranteed Loan Program with private sector lenders"? Or is it through that program that the interest rate reduction program was put in place?

Mr. Flindlay: Is he talking about the interest rate relief program, which is Vote 11, or are you talking about the young farmer interest rate reduction program?

Mr. Plohman: Madam Chair, I was talking about the Guaranteed Loan Program, and I wanted to know if that was the mechanism by which the interest rate relief programs were put in place.

Mr. Flindlay: You are talking about the Guaranteed Operating Loan Program, and the Manitoba Interest Rate Assistance Program, the ad hoc program that we put in place this spring.

Mr. Plohman: In the private sector.

Mr. Flindlay: Okay. The programs are run totally separate. There is no interrelationship between those two programs at all.

Mr. Plohman: Could the Minister indicate how many operators are enrolled in the operating interest rate reduction program? Last spring how many took advantage of that?

Mr. Findlay: Madam Chairperson, we are just looking up the exact figure, but it is somewhere in excess of 12,000. We will get the exact figure.

Mr. Plohman: Madam Chair, that 12,000 farmers, at an average benefit of how much each with that reduction program, 7 percent I believe it was?

Mr. Findlay: If you use an average farm the size of 700 acres, the benefit would be a \$1.80 an acre times 700, which would bring you to \$1,260 a farmer as an average benefit.

* (2110)

Mr. Plohman: The Member for River Heights (Mrs. Carstairs) just pointed out No. 11, Manitoba Interest Rate Assistance Program. I was just wondering why they are under separate lines when it is administered—it is administered through MACC is it not? -(interjection)-

Oh, okay. Well, then I apologize for asking about that at this time.

Mr. Findlay: It is administered by a separate agreement with each financial institution. The financial institutions administer it completely at their own expense, administer it through their accounts, through the accounts that the farmer has with those institutions. Whether it is a credit union, a caisse populaire, or a bank, they all participate in it.

Mr. Plohman: Can the Minister indicate how many accounts his department has through the Agricultural Credit Corporation with farmers and how many of those are delinquent accounts at the present time, or viewed to be in serious arrears?

Then I would like to explore that further in terms of moderate and so on.

Mr. Findlay: I am going to give you the figures on direct loans. Direct loans are in the hands right now of some 4,500 farmers representing 6,195 loans and \$180 million. Now the number in arrears are some 541 farmers, involving \$7 million of arrears.

Mr. Plohman: Seven million?

Mr. Findlay: Seven million, as of September 30. I can give you the number that are in arrears: under one year, 260; under two years, 148; under three years, 60; under four years, 24; and over four years, 49. But there were \$7 million in arrears out of \$180 million in the total portfolio of direct loans.

Mr. Plohman: Madam Chair, can the Minister indicate how that compares with the last five years, if they have got some figures on an average? Is this much more serious or is it about average?

Mr. Findlay: What I have quickly in front of me is comparing this year to last year. This year I just gave you a description of 541 farmers in arrears; last year it was 652. So it is down over 100. The amount in arrears this year I gave you was \$7 million; last year it was a little over \$11 million. So the amount is down, and the number of farmers that are in arrears is down—a fairly significant improvement this year over last year. If you want, you could make it for further years, but things have improved quite a bit over the past three or four years.

Mr. Plohman: Madam Chair, I just wanted to know from the Minister. He says that there is an improvement over the last year. What has happened to those other 111 farmers in arrears? Have they been foreclosed upon, or what action has been taken with them and how many of them have actually gone out of farming? Does the Minister have any figures on that?

Mr. Findlay: Of the improvement of 100, the word is that at least half of them have moved themselves out of that arrears position by refinancing or being able to meet their debt commitments, so they have voluntarily improved their position to get themselves out of that arrears column. At least half of them.

Mr. Plohman: So I would assume that the other half are not farming at the present time, or have they fallen into the—no, they could not have fallen into the other classification. The Minister went back four years so they would move along from under one year to under two years or under three, one of those other categories, but they would still be part of the 541. So I assume then that this other half would have to be farmers who have either voluntarily quit or been foreclosed upon, are no longer in business?

Mr. Findlay: Certainly some of them have voluntarily left through quitclaim, some have gone through debt restructuring, a Mediation Board process. Just to give you an example here, from April to August of this year, and I am going to talk about 42 producers, one declared bankruptcy, two underwent foreclosure, and 39 quitclaimed. Some of them will have leasebacks of their property. I do not know if we can give you the exact figure on that number, how many have leasebacks, but going back to the original figure, many of them voluntarily got themselves out of the arrears position by one means or another.

Some have used the quitclaim process, gotten a leaseback, and are still in farming. Then you get

down to the number who declared bankruptcy. The number who went through foreclosure is very, very few. In this example I read across there were only three in that category in the period of April to August, which is a course of approximately four or five months, I guess.

Mr. Plohman: I thank the Minister for that. I would like to ask him how many of the corporation are currently in litigation?

* (2120)

Mr. Findlay: As I mentioned earlier, in that period of April to August we talked about two foreclosures that have actually occurred. Right now in terms of negotiation that is starting, there are about 39 farmers for which foreclosure action is starting. That does not mean that 39 will be foreclosed on, it is just that the process is starting. They will all end up as Part 3s undoubtedly over at the Mediation Board. Resolution may occur for many of them, and they will stay farming in some fashion in the future. The fact that 39 are starting does not mean that there will be anywhere near that number of foreclosures actually acted upon.

As I look back over the history, going all the way back to 1986, there is never more than two, three or a maximum of four foreclosures actually followed through on. They usually get resolved in the debt review process. The process of initiating foreclosure does bring a situation to a head that has not been resolved, and in many cases they find a resolution in the process.

Mr. Plohman: The Minister is saying that there are two foreclosures initiated in the past year, or in process—

An Honourable Member: Completed.

Mr. Plohman: —completed, 39 of the processes starting, but there must be some carried over for a number of years. Sometimes that process takes quite some time. That was my question initially. How many are in progress at the present time? It is not the two the Minister stated, but perhaps several from years back.

Madam Chair, while the Minister is looking for that information, I want him also to perhaps provide us with information on the current situation with regard to the Young Farmer Rebate under Spending. I note in the '88-89 Annual Report, there is some \$269,500 listed as Young Farmer Rebate Unspent. The reason given, that continuing poor economic conditions resulted in a smaller loan portfolio than

expected, and therefore fewer young farmers qualifying for rebates, I found that rather ironic.

When there are poor economic conditions, that is when they need the rebates, that is when they need the help. That is why I was questioning the Minister a couple of weeks ago in Supply as to whether the program was meeting the needs of the young farmers. That is not a tremendously large amount, \$269,000, relatively small. I want to ask the Minister whether that trend is continuing, whether it has increased in the '89-90 year and if he could shed some light on that particular aspect?

Mr. Findlay: With regard to Young Farmer Rebate—I am skipping over your previous question. You put a whole bunch on the record all at once.

You mentioned in '88-89 some underspent money. It is going back to the old question. Farmers were afraid to borrow money and it was tough to cash flow in those years. Remember that was back when wheat was under \$3. It was really kind of tough. I am going back now to '88 and the amount of Young Farmer Rebate that was earned—1.56 million; '89 is 1.64 million; in 1990 it is 2.28 million of eligibility earned. -(interjection)—Well, this is loans that are eligible.

The percent of young farmers that can qualify, that actually earn their eligibility, was 78 percent in '88, 83 percent in '89 and 89 percent in 1990, that actually make their payment on time and earn the full eligibility. There is quite a carrot there to get your payment on time because you get the full rebate if you make it by November 7.

Young farmers have been doing a better job each year of the last three years of making their payments on time to earn the credit. The credit is applied right at the time of paying the loan. It used to be in the past you had to pay the loan and then wait six weeks, say, to get the rebate back.

Now you get the credit right at the time of making your payment, so the money never leaves your hand. If you have a \$2,000 credit it comes to you right then. The level of eligibility was doubled in '89 I guess would be the first eligible year, right? Doubling their credit, the first year was '89. The level of qualifying loan is fairly substantial.

Mr. Plohman: Madam Chair, I understand from what the Minister is saying that the percentage of farmers qualifying, young farmers qualifying, has increased in the last couple of years so that on a percentage basis the unspent would be less in

percentage basis. The problem that is identified there, if it is one, is not getting greater. It is not growing. It has become less of an issue so that is encouraging.

So far as the loan guarantees, in 1988-89 the amount unspent is listed at \$1,548,200.00. That would seem to indicate that fewer loans and guarantees were issued during that particular year. If that is correct, could the Minister give me a trend and line on that in the current year, or the previous year and the current year, too? What is happening with the loan guarantees and the amount of money that is allocated by MACC for that?

Mr. Findlay: Madam Chairperson, I will give the Member the amount of guarantees that were actually called upon and the amount of payments we had to make for operating loans that were in default.

In 1987-88, it was \$1.4 million of guarantees called; in 1988-89, it was \$1.7 million; '89-90, it was \$727,000, so down less than half. The projection for '90-91 is, it will be down again, so less guarantees are actually being called or payouts having to occur, which shows again another trend to an improved position out there by the farmers or they are being more careful in how they are managing their accounts so that they do not have to draw upon the guarantee, and that is positive news.

Mr. Plohman: Madam Chair, I wish it was positive news. There is only one line in this report that indicates to me that is not positive news. That is the statement that due to economic conditions, fewer loans and guarantees were issued than anticipated. What does that statement mean? Why are fewer loans being issued? That was in 1988-89.

* (2130)

An Honourable Member: That was two years ago.

Mr. Plohman: Yes, but I asked for a comparable number for '89-90. The Minister never gave me a comparable number, but he did say that there were fewer guarantees being called and that was good news. It could also mean that there had been fewer loans issued and therefore less risk insofar as the guarantees being called.

Mr. Findlay: In 1988-89, we did 113 loans for \$7.7 million; in 1989-90, 522 loans; so the number of loans is up substantially, and \$34 million. So the number of loans is up from '88-89 to '89-90 and the success is getting better.

It is a combination of farmers managing themselves better, and the process of structuring the loan is probably done better between the farmer and the banker, so they understand what they are doing and they are able to manage the account better.

Mr. Plohman: Madam Chair, would that indicate then the '89-90 figures of 522 are coming back up to historic levels, or is this a record? Why was '88-89 so much lower? Perhaps the Minister has figures for the previous two years.

Mr. Findlay: In that time frame that I was talking to you about the program was being renegotiated, the old program had come to an end and we were renegotiating a new program. At the same time that we were doing that, we upped the limit. The old limit used to be \$125,000.00. We raised it to \$150,000 for an individual, and if you had more than two people involved it could go up to \$200,000.00. So the limit was raised in the renegotiation; and also when the renegotiating was going on, a number of loans were more or less held back and then approved under the new program which was more attractive and with higher limits.

Mr. Plohman: Yes, Madam Chair, the issue of the special farm assistance has been decreasing steadily every year. I believe that is money that was put aside with the Manitoba Mediation Board and undoubtedly was not spent historically, and so the Estimates were reduced each year as history showed that the money was not being utilized. That is my understanding of it.

If that is correct, could the Minister indicate what the reasons are because I understand the Manitoba Mediation Board has had just as many cases before it, perhaps more in the last year than it had the previous years. It would indicate to me that it is not a lack of business, so to speak, by farmers coming forward to the Mediation Board, but it seems that there is less debt restructuring taking place with the Mediation Board, or at least less Government involvement, assistance in that process. Could the Minister confirm that it is the case, or give us an explanation as why the amount is dropping so significantly from the original Estimates for the Mediation Board?

(Mr. Bob Rose, Acting Chairman, in the Chair)

Mr. Findlay: The Member maybe does not remember some of the history of this. This started back under his administration. I have to remind him

when he asked that question that in '86 you budgeted \$6.5 million and never spent a dollar. In '87 you budgeted \$6.5 million and never spent a dollar. Well, it is two years of never getting started. When we came into power we put \$3.5 million and then \$2.8 million and then \$1.1 million in there. The truth of the matter is that we have been spending actual call. The actual call is between \$400 million and \$500 million in each of the past two years.

Mr. Plohman: Thousand.

Mr. Flndlay: I am sorry, yes, between \$400,000 and \$500,000, right, has been the actual call, but our overall commitment in the program, involving all four programs, if every dollar was drawn over the next five years, because the programs are structured over five years, is roughly \$9 million of liability that exists.

The history has been that farmers, in their annual process, if they can make the payment, they have to, and if they cannot make the payment, and they have done everything right according to the agreement, that is when the monies can be called upon as a guarantee. As it turns out, they are only calling about 30 percent to 40 percent of the time, so over half of the farmers are actually able to meet their commitment with their own funds and the way that their program was budgeted, they are not drawing upon the funds.

So we have a high level of liability right now, roughly \$9 million, but only drawing between \$400 million to \$500 million (sic) a year actually because of the good record that the farmers under guarantee are able to experience in terms of meeting the commitment on their own. If a farmer has a program in place and he does not follow it, he receives some income and he does something else with it, he is not going to get his guarantee the year after because, in one word, you might say he has defrauded the program.

So it is there if you follow the program, do not make any purchases that were not authorized, the guarantee will support you, but when the restructuring process, we find the farmers, when the money is managed carefully, are very able to meet their financial commitments and that is why the amount of money that is actually drawn is a lot less than what is budgeted and a lot less than what the liability is as each year goes by.

Mr. Plohman: Mr. Acting Chairman, is the maximum benefit to each individual producer still at,

is it \$50,000, or what is the figure? I believe that is what it was. Has it been maintained at that level?

* (2140)

Mr. Flndlay: The maximum he can draw is \$10,000 a year, or \$15,000 in an extreme year, are the guidelines they have been using. Just another figure, as of June 30 the total number of guarantees in place were 258 and only 126 farmers actually had to draw upon that guarantee.

Again, it is less than half actually having to draw upon, less than half in numbers and less than half in dollars actually have to draw on the guarantee money.

Mrs. Carstals: Mr. Acting Chair, in terms of the MACC Summary of Activity in the Annual Report of 1988-89, since we do not have the 1990 report yet, in fact we do not have the '89-90 report, is there any indication of what those numbers will be for this year, the MACC Summary of Activity, direct loans down through total number of loans?

Mr. Flndlay: If you have the figures in front of you, in yours Direct Loans should be \$14.3 million. In the next year, in '89-90 it is \$27.9 million. Pretty well double. That was Direct Loans, and Total Activity went from \$21 million up to \$33.5 million. If you add in the guaranteed loans, Total Activity went from \$51.5 million up to \$71.6 million, year to year. The fishermen's loans, administered by MACC of the Department of Natural Resources, it went up from \$3.9 million to \$4.6 million. Every category is up.

Mrs. Carstals: Can the Minister explain then, why the actual expenditures have decreased? I know it says that it is based on the \$1.7 million, based on historic funding. If the amount of loans has gone up by that amount, one presumes there is built in a certain percentage of arrears. If the amount of loans has gone up that dramatically, would one not project that the costs would also go up that much?

Mr. Flndlay: I guess really, in terms of running the program, it is run by the same number of people. Earlier, the figures I gave show that the actual problem cases have been declining. The allowance for doubtful accounts, although it is the same both years it is fair to say, is probably going to be down in the amount of draw on it. I think it is a process of over the past couple of years the mechanism of lending has been sharpened up somewhat. Loans must cash flow.

Years ago it used to be if you had the collateral you could borrow the money without really a

significant recognition of whether the ability to pay was there. Now with the mechanism of having to cash flow the loan, it undoubtedly results in some people who maybe think they should get a loan, not getting a loan. We are probably doing them a favour in the long run because the information they can put on paper does not show that they can repay it.

I think the process of how the loans are given out and how they are administered has shown that more can be done with less risk to the Government and with less cost in the budget for doing it—at least, no increase in cost for doing it. The amount of arrears that accrued in the past has been moving through the system, and the amount of farmers in trouble is coming down fairly drastically. The cost to write those off is not there to the extent it used to be.

Mrs. Carstairs: That, of course, leads to the discussion that one gets when one goes into rural Manitoba, that it is more difficult to access an MACC loan than to go to one's bank and get one. Have we sharpened the pencil too much, so that we have, in fact, put some of the farmers in the province at a disadvantage in terms of being able to access MACC?

Mr. Findlay: If you are comparing mortgages to mortgages, mortgages by financial institutions or mortgages by MACC, I think it is fair to say everybody sharpens their pencil the same way. MACC is very attractive to people to get money from because, No. 1, the interest rate is one to one and a half percent lower than anywhere else, plus the young farmer rebate if you are under 40 is very attractive. So people want to borrow from MACC.

I think if you just go to a farmer and ask him, well, is it easier to get money from the bank or from MACC, he will probably say the bank because a lot of the money he gets from the bank is operating loans, and MACC in too many cases has guarantees behind those loans. So they are getting it from the bank, but MACC is guaranteeing through the GOL, but when it comes down to, as far as we can assess it, looking for a mortgage, we are no tougher to get it from than anybody else.

I think it is fair to say that sometimes it is doing a person a favour to say no up front if it cannot cash flow in the long run, because it spares him the agony of going through losing that piece of property plus whatever else he put up as collateral, losing it too. I have had young people complain to me bitterly that they could not access a loan from MACC. They have

been to their local person who has come in to head office and been denied, they have been to appeal to the board and have been denied, and when I looked at it, what they were paying for land was just unaffordable. Unless you had the rich grandfather and you did not need to borrow the money, you could not pay it back anyway.

You know, when you are paying \$60, \$70, \$80 an acre per year in interest, that is the way you cash flow it. It is just not going to fly in farming today, and I think going back to the argument in the discussion we had before, people have been conditioned to paying too much for land. It has been one of the biggest problems we have had in agriculture. Farmers have to pay what they can afford to pay in terms of being able to cash flow the repayment. That is the process of lending now.

I cannot say that we are not doing business because the figures I have just read out would indicate that we are doing more and more business. I think two reasons, one is the interest rate reduction for young farmers, and the other is it is the best interest rate going. So they come to us first and if it will not cash flow I think we are doing them a favour by saying no early, and we are saving the taxpayer the cost of having to go through the process of reclaiming that land from that person. That is a heartache process.

What I say to people when they come to me, arguing that we did not treat them right, is go back and maybe in a little period of time you can restructure your process and be able to cash flow it, and come back for an application later on. Well, maybe you have to realize that what you offered for the land was more than what you could afford to pay and go back and offer what you can realistically pay, and if you cannot get that piece, maybe you can get another piece later on at a more affordable price.

The important thing to us is the long-term viability of that person to stay in business. We do not want anybody in the arrears line if we can get there. That is probably unachievable, but I want to see it coming down, down, down, because we have made the right decisions up front, and who to lend to and under what circumstances to lend.

Mrs. Carstairs: But I think it is fair to say though, that the banks are taking exactly the same attitude. They are not going to loan money where there is an extraordinarily high degree of risk. Then is there any evaluation done, and any questioning being done

about MACC, about farmers turned down by MACC who then take, presumably the same set of facts and figures off to their local branch of whatever bank or whatever credit union and get that loan, thereby being forced to pay 1 percent, 1.5 percent interest rates higher? I have had farmers, who said: I was turned down by MACC and yet, I was able to go to the Royal Bank and pick up that loan.

Now I find it difficult to believe that the Royal is providing less stringent standards of evaluation than we are at MACC and so I say: Are we becoming too sharp with our pencil at MACC, thereby denying possibly some moderate risk granted but at reduced cost to the farmer?

Mr. Findlay: I do not honestly think so when I see the increased lending that is going on. We are obviously accessing some good clients and in increasing amounts. Whether there are specific cases like you mentioned that a person got turned down here, went over there, undoubtedly there will be cases like that and there will be the reverse. I am sure there is the reverse out there.

* (2150)

Other reasons why we are attractive is that if a person gets a loan with us, they can have it fixed for the lifetime. Whereas they go to the bank now, they get a three-year term or a five-year term and then they have to renegotiate the interest rates.

So it may look attractive at the bank now, when down the road it maybe is more attractive as interest rates go down but if the interest rates go up, they are locked into a higher rate and when the three- or five-year term comes up. If they go to the bank and they get a loan and go through three years and things improve, they can come back and reapply to MACC and get it renegotiated over at MACC and acquire the lower interest rate.

I do not think we are being too tough. There may be specific incidents where a person would want to plead his case and he has the right to appeal to the board. Naturally, some of them will bring their appeal directly to me too, and I do not want to be a person who makes decisions on loans, but if I see there is something really wrong, I may ask to go back and have it relooked at. I have never had one that has been turned around because I have looked at it. Generally speaking, the process that has gone through has been thorough and correct for that individual.

Again if a person goes through the cash flow process and it does not fly the first time and they can come back and restructure it in someway or they can put some more components of their business in there to make it cash flow, certainly they improve their chance of getting it accepted the second time around.

It is a fine line as to when you are too tough or too lenient and whether you are doing a service or a disservice depends on how things unfold over time.

The history in agriculture has been, be cautious in your cash flowing for the future. I mean everybody that is in farming has learned that over time. It is nice to have a surprise at the end of more money than you expected, but it is terrible to have disappointments year after year of less cash flow than what you had projected.

If you are depending on an increasing cash flow every year in order to meet all your commitments, you eventually run into severe financial difficulty and that is why so many have gone through that process through the Mediation Board and had to be restructured in the province.

I think the fact that there are a number of applications, the Mediation Board is down 30 percent this year over last year, even though times are still very tough, we are starting to see some improvement in the financial position of farmers.

Mrs. Carstairs: I would just ask the Minister, and I am not going to dwell on this any longer, but I would just ask the Minister that when the risk factor starts to get lower and lower and when it starts costing you less and less to finance your loans, which is what is happening, then it seems to me that it is an appropriate time to evaluate whether your risk factor has not become too low and, therefore, you are limiting your accessibility.

Now it is true to say that there are more loans, but that could be that there are more loans of people quite able to repay those loans without any difficulty. Those are the same people who would access any other form of loan system out and available in the marketplace as well because they have extremely high credit ratings and have no real difficulty with repayment of the loan.

What I would like to ask the Minister now, because there does not seem to be a long history of corporate loans, they show up in '88-89. I do not know whether they show up in '89-90 because they do not have that board. Can the Minister briefly give the criteria

for when a corporation would be given an MACC loan?

Mr. Flndlay: Mr. Acting Chairman, corporate loans are given when 80 percent of the shares are owned by a farmer, or farmers. They will loan on 70 percent of the appraised value, whereas for an individual it is 80 percent, and the networth of the shareholders cannot be more than \$250,000 each.

Mrs. Carstairs: Mr. Acting Chairman, I notice that in the definition of a part-time farmer it was someone who intended to become principally occupied at farming within 10 years. That must be a very difficult criteria to evaluate. Can the Minister tell the House if in fact there is a serious attempt to discourage the hobby farmer from this particular loan activity?

Mr. Flndlay: The short answer to the question is, yes, there is a concerted effort to try to eliminate the hobby farmer.

In terms of giving out loans to part-time farmers, there is about eight different criteria here, but I will just mention two or three of them. One is that the annual gross farm income must be at least \$10,000.00. The off-farm income must not exceed \$50,000.00. No value is going to be given to the house that is on the farm, in terms of the loan.

Yes, a concerted effort is attempted to determine that they are not hobby farms. In the process of becoming full-time farmers in a 10-year period, they have to be able to demonstrate that they are moving in that direction, in terms of their projections, and cash flow, and their plans. It forces them to sit down and show a plan, and if they have no plan, they are obviously not intending to become full-time farmers over the course of the 10-year period.

Mrs. Carstairs: I just have one more question, and I figured I might just as well do it here as some place else. In going through the annual reports of the corporations, you hit the Manitoba Agricultural Credit Corporation, and of the number of directors, there is one that is a woman, one out of five; Manitoba Beef, one out of six; Canada-Manitoba Crop Insurance, one out of five; the Mediation Board, one out of nine; Milk Prices, one out of five. You do a little better in Farm Lands Ownership, which is two out of six. Can the Minister tell us if there is any new initiative, because I know it did not exist before, to try and identify farm women who are qualified for these boards? Is there a list now available in his office?

We will never quite forget the Premier's (Mr. Filmon) statement in which he indicated there were no farm women eligible, or available, for these boards. Is there now a listing so that we will begin to see, over the next few years, as new appointments are made, more and more females on these boards?

Mr. Flndlay: I can assure the Member that I have attempted, very definitely attempted, to keep the number of women higher than it is. It is hard to get women that will come forward and do this. Different ones we have talked to, "Yes, it would be a nice idea, but why do you not ask my husband?" They think that their husband knows more than them, or, "I am too busy raising the children," or "My husband has some time to get away, but I cannot get away."

* (2200)

There is a reluctance to commit themselves to come forward and do these sort of jobs. I would say, without qualification, the women that we do have serving on the boards, although it is one in five or two in nine, and that sort of thing, or two in six, are very qualified and capable people. I know there are many more out there, but I have asked a lot, and got a lot of answers, "Well, in two years I might be ready," or "My children will be out of school in four years," and they are not ready to come forward now.

I think what you find at the farm level, when things get busier and busier, because the farm family has decided not to hire labour to help with seeding or harvest or year-round, it ends up that the person who takes the extra workload, without question, is the woman. She takes on more duties, and feels more committed, and she cannot get away. She feels that commitment to the husband, to the family, and to the farm, and she does not want to commit to other things.

When you find a good woman, she is always busy at all kinds of other things in the community. The man may not be, but you look around, it is the women who are very busy. I have been a bit frustrated in terms of getting people to commit to say, yes.

I have just lost one good woman. As you may know, Susan Van De Velde who is on the constitutional committee, the one person selected out of Manitoba, was on the crop insurance board, and actually had to resign when she took on that much bigger duty. I am looking for another one.

Mrs. Carstairs: Well, I will not give him an attack here on feminism. I think the Minister has recognized what the problem is, and that is you have to be very pro-active in talking to a wide variety of women in order to attract them into these kinds of boards and positions on these boards, because there is still—I mean, I have had female potential candidates who have said to me: Oh, gee, I could not do that. I have always suggested they come and spend a couple of hours in the gallery, and at the end of that they should be able to determine they are certainly as good as most of the people sitting down here. So I do know there has to be a very pro-active approach, and I am glad the Minister is at least reaching out to try to find more women to serve on these boards.

Mr. Plohman: Mr. Acting Chairman, I just want to rebut what the Liberal Leader said, that there was no plan previous and that she is now asking whether there is any new initiative—

Mrs. Carstairs: I meant as of today, as of this Government.

Mr. Plohman: Oh, well, I was not quite clear what you meant. I know that we had made every effort, during the time we were in Government, to improve the numbers and the representation of women on boards. I believe we were quite successful in changing that to a large degree from the previous Governments.

Whether the Minister is putting enough emphasis on recruiting nominations and recommendations from his colleagues and other sources for women on these boards is another thing. When you look at the numbers, obviously they are underrepresented at this time. There is representation, which is important, but it is not equal representation. We did not have that either. I can say that clearly.

So I just wanted to put that on the record in terms of the initiatives that we were taking to improve the number of women, female representation on boards and would encourage the Minister to continue to make greater efforts in that regard, as well.

Mr. Findlay: Well, there is no question that we have tried and we will definitely continue to try. Women are getting more involved in more things. When you see the farm women's conference get 500 women out, I think that is very important. It helps to get some out who would not come out otherwise, come out and get the feel that they can contribute. A man thinks, oh, when I am called I will go; he does not

think whether he can contribute. If you ask a woman, she will stop and think, can she contribute? She takes a cautious approach instead of saying, yes, I will go for it. I have been surprised in the people I have talked to. I never have a man say, well I cannot participate, or I do not have experience, even though he may not, but a woman will always stop and think and rethink and far too often reluctantly say, not now, or come back and see me later. So we are trying and I think if—

An Honourable Member: We are just more responsible.

Mr. Findlay: Well, I will not deny that because you are the majority. There is no question we are committed to it, and we will continue to work towards it. I think that the various boards that I have met with, the female contribution has been excellent in terms of the broad scope of the issues that have to be dealt with.

Mr. Plohman: I just wanted to indicate and offer some assistance to the Minister along the lines I have just suggested from my seat. I am sure the Liberal Leader (Mrs. Carstairs) as well would have nominations that she would be willing to put forward. I know we would. If the Minister is looking for qualified people who are willing to take on this responsibility and do an aggressive job of representing all people in this province, we would certainly be willing to submit a list of highly qualified names to the Minister so that he could improve the representation of women on the boards.

Mr. Findlay: I cannot guarantee I will use the list, but I would not mind receiving a list from both of you. There is nothing wrong with it because there are times and places where you try not to recognize the political background, so I have no problem in receiving a list. In fact, I may be surprised at some of the names that would be on the list.

The Acting Chairman (Mr. Rose): 3. Manitoba Agricultural Credit Corporation. Administration \$4,410,800—pass; Net Interest Cost \$2,800,000—pass; Allowance for Doubtful Accounts \$7,000,000—pass; Special Farm Assistance \$1,100,000—pass.

Resolution 8. RESOLVED that there be granted to Her Majesty a sum not exceeding \$15,310,800 for Agriculture, Manitoba Agricultural Credit Corporation for the fiscal year ending the 31st day of March, 1991—pass.

4. Agricultural Development and Marketing Division(a) Administration:(1) Salaries \$98,600.00.

* (2210)

Mr. Plohman: Mr. Acting Chairman, you are excellent at moving things along; however, I do not even know if the Minister's staff are here yet for this section. Perhaps we could proceed with some general questions though on this.

I notice a significant decrease in this area overall, not in the salaries of Administration; I am talking about the Agricultural Development and Marketing Division, about \$800,000.00. One area that is down is, of all things, the Marketing Branch, which the Minister said that he is endeavouring to do more of in order to diversify the agricultural economy in this province. He has talked about the importance of diversification, and certainly of the need to develop food processing in this province, developing processing industries to create value-added products.

I wonder how the Minister would explain the fact that his Marketing Branch has decreased and the Marketing Division has dropped at this time.

Mr. Acting Chairman, before the Minister answers, I can tell him that I have looked through and noticed the Commercial Beekeepers Special Assistance, which of course is eliminated, but other than that, the figures that I would like the Minister's comment, I would think that this would have been at a growth section of his department, not a section of the department that has dropped, in terms of the number of dollars spent, because of its importance at this particular time.

Mr. Findlay: Well, overall in terms of vote for here, you are looking at a reduction of \$800,000.00. As the Member has identified, he has noticed that \$759,000 of that is special assistance to beekeepers. You get to Marketing Branch, itself, (f), is that what we are referring to?

The actual reduction of salaries is some \$12,000 which, you know, is a portion of time that a person is hired there, if there has been a vacancy, or—how many vacancies were there? There was one for a portion of the year. It is now filled, and there is roughly \$9,000 in the communications costs reduction there.

In terms of the number of staff, they are the same, and the salary component reduction is a portion of a year for a staff person while that position was vacant.

Mr. Plohman: I guess on the surface it does not look like much of a drop and it can easily be explained away. However, the Minister has identified this as an important area in discussions on free trade and in discussions when we have raised the issue of free trade. As a matter of fact, his colleague talked about an increase in the export markets to the United States for goods since the Free Trade Agreement. We later determined that he was wrong on that, and there had been an actual—the trade balance had actually worsened from '88 to '89, particularly in the food industries.

(Madam Chairman in the Chair)

The Minister, I think, would be interested in these figures if he does not have them. I think he is aware of them. From '88 to '89 there was a drop or worsening of 244 percent in the food industries sector, with regard to the United States in the trade balance. I can provide him with a copy of these figures when I am finished with them, I have other copies in my office. Total manufacturing was down and the balance of trade had worsened by 38 percent, but in food industries 244 percent, which is shocking and obviously of deep concern, I think it should be, to the Minister as well as ourselves here in the Opposition.

It seems to bear out what the Grocery Products Manufacturers of Canada identified when they appeared before the parliamentary committee on December 19, 1987. I obtained a copy of the Hansard from federal Parliament at that time. When they appeared they said this was going to happen. There were going to be some serious problems if the Free Trade Agreement went ahead. They said, and I quote, "There will be many that will face serious decisions regarding employment and capital investment in the food processing industry in Canada." They said a lot more, of course.

It seems to have borne out that the Free Trade Agreement was not kind to Manitoba as to the food industries in the first year that it was in place in this country. I wondered if the Minister could comment, because he has always been a great supporter of the Free Trade Agreement. He has talked about the need to diversify and find new markets and so on.

By the Free Trade Agreement you assume that there would be more markets for agriculture products from Manitoba and particularly processed products. That is what we want. We want value-added products so there are more jobs

staying at home. Instead, we have lost jobs, and we have lost in our balance of payment insofar as food processing.

Well, the Minister shakes his head. He can look at a number of areas that we have identified that have been impacted by the trade agreement. Campbell Soup moving out has been one example—the Minister may dispute that—Ogilvie oats, the Neepawa hog processing. There has been a number of those. I guess the biggest concern that I have is that the trade balance has worsened in that year.

I would like the Minister to comment. Year-over-year percent change minus 244 percent for the food industries in Manitoba, according to the Manitoba trade statistics data base, the Manitoba Bureau of Statistics, September 1990.

Mr. Findlay: I find that strikingly strange because I can go back over to my book here and I can pull out comments from the Americans saying, a terrible deal, that Canadians got the best of the deal in agriculture. Those comments have been on the record in the States very strong, that we got the best of the deal in agriculture. We can each pull out our figures to back our case if we want, but I am looking at the overall picture in terms of what we are doing and what we are selling.

We are not losing ground in selling wheat to them. We are not losing ground in selling durum to them. We are not losing ground in selling oats. In fact, Can-Oat is built with the American market completely in mind. That is where the health food product they are going to produce is going to be sold. Canola sales, that is the market that the crushers want. In fact, they want a speed up of the tariff reduction at the border, speeded up from where it is right now in terms of the market for hogs. The hogs are still moving down there. Cattle are moving down in increasing numbers.

We have been exporting across the line at increasing rates. I have not heard anybody in the agricultural sector tell me that they are losing market share in the United States or that we are being flooded by American product competing with our product up here. Americans say we got the better of the deal. I do not think they would say that just to confuse the issue. If we are going to get into an argument on that I will have to bring some figures the next time we come back here.

Clearly, there is no indication—in fact it is to the contrary. We want to reduce tariffs between us and them. I mean, that is what the hog people have been wanting to do for some time. It is the Americans that are putting the tariffs trying to stop our product from going down there. They know if they remove the countervail there will be even more hogs, because they know we have a superior product and there is a willing buyer down there. There is no question about that. In fact, the buyers down there want to do the business very quietly. They do not want to disturb the sleeping giants down there, because they will run to their governors in the northern States. It is a good campaign issue, anti-Canadian trade. Anti-Canadian trade is a good campaign issue in the northern States.

When we met with a couple of State governors in Bismarck here a while ago and I took people from Manitoba Pool, NFU, a member from UGG and from KAP, and we went down and met. It was amazing the ignorance that existed there with understanding Canadian programs and what we are doing, and how when we talked about what we are doing and what they want to do, we do not have much to fight over, but if we would read the press and believe the press, we would be fighting forever.

So I think we have a much better relationship in agriculture across the border than we do of many other areas. We have had, basically, an open border in agriculture until the hog countervail came along. It has been that way for a long time. Free Trade Agreement or no Free Trade Agreement, it has been an open border, moving product back and forth. We have had a surplus of cattle moving south as opposed to coming north, significant surplus.

If we can have a lower dollar and the dollar is down to 80 cents or 78 cents, we would be moving even more product. So we have the quality, and the Americans know it. It is them trying to keep us out. If we could get rid of the trade barriers, we would be selling more and more down there. At least they can pay cash. I mean, that is pretty good when you are selling a product, you like to see the cash.

* (2220)

Mr. Plohman: The Minister has chosen to focus his comments and his response on raw products being shipped to the United States and that being an important market and that we would stand to benefit if those trade barriers are reduced. I agree that if we could have full access, an unimpeded access to the

American market, that we would benefit. I do not believe they are going to do that as a result of the Free Trade Agreement. They will continue to put up barriers, but that is not what I was focusing on, Madam Chairperson.

What I was talking about was the issue of processed food products. The Minister's own Objective identified in his Supplementary Estimates identifies the objective of: improving and enhancing the demand for provincially grown and processed food products. That is one of the areas of the Marketing Branch.

The Minister has gone backwards a long way in the last couple of years insofar as the food industry and its relationship to the United States in terms of the trade balance. I believe the facts are clear according to the Manitoba Bureau of Statistics. I have no reason to doubt that figure of minus 244 percent.

So if we want to concentrate on that issue, the Minister may not want to talk about that, but that is an important one. The food industry is where the processing takes place, and that is the type of product we want to export to the United States. We do not want to export just our raw products. We want to export our processed products like canola oil, for example, and other products that are processed in Canada, in Manitoba. We want to expand that industry into the American market.

My concern is that it has gone the other way and that, perhaps, it is going to continue to go the other way as a result of the Free Trade Agreement, because of the differential in labour costs, the other advantages that the Americans have with the population and so on and a critical mass, the large-scale markets that are available, that we will continue to lose in that area because of their proximity.

They also have other advantages, tax advantages, that they have in the United States. In any event we have some advantages in terms of superior product, in some instances, of what we produce here, but we are losing out and the facts are there, I am saying to the Minister.

What effort is he making in this area to reverse that trend, considering that it is down 244 percent in that year, the first year of the Free Trade Agreement, and that one of his mandates of his Marketing Branch is to improve the markets for processed food products for Manitoba?

Mr. Findlay: Well, clearly, I do not believe his figure of 244 percent. If that was true, we would have some problems in the industry of further value-added processing that is going on. We are crushing canola and exporting into the States, and I just want to list through a number of ways in which we value-add or process agricultural products here in the province.

The gasohol industry is fairly healthy in Minnedosa, and in fact going through expansion, and with the present increase in fuel prices undoubtedly will be more for the processing at that plant. Granny's Poultry and Pembina Poultry are certainly doing a fair bit of value-adding with some 350 jobs in Blumenort from Granny's alone in poultry processing here in the Province of Manitoba. Northern Goose, up in Teulon, is processing geese and exporting them all over the world.

Wheat milling outat Virden, really working, milling wheat and selling it all over the place. One of the products that they are into is organic grown wheat and selling it by cargo load into Europe. Can-Oat in Portage, as I said earlier, their market is going to be the United States.

Just this past summer, vegetable producers here in the Province of Manitoba have seen fit to try to access the market in Minneapolis. In fact they have been quite successful. They have had a good response with the products they have hauled into Minneapolis, and now they have to develop a consistent supply to that market to capture that market in the future, and they are competing very well with vegetables from California or anywhere else in the United States. So we have a record of being able to compete and produce.

Just very recently, one of the task forces that reported to the Ministers' meeting last week was on the competitiveness of this task force, looking at the ability in the processing sector of us in Canada being competitive with the same processes in the United States. When they compared apples to apples, they found that we were quite competitive in the processing sector here in the province. Our labour costs were not any different than those in the United States when you took everything into consideration. We have the advantage of lower cost energy up here. We may be not -(interjection)- pardon? -(interjection)-

Well, looking at other forms of energy, we might have some disadvantage, in terms of the tax structure, but, by and large, there were not great

impediments for the processing sector locating in Canada versus the United States.

We have the product here and maybe some of the processors will argue that the cost of the product coming in the front door is more in Canada than the United States. That may be a problem in certain supply-managed commodities, but not a great problem for them. We are more competitive than on first glance, and when you look in depth into the issue if you want to find a reason to say no, you will find a reason to say no.

You are really looking for reasons to say yes, we can compete. There are lots of reasons there if you compare the costs of doing business in Canada versus the costs of doing business in the United States.

Transportation is a cost we have to bear, because we are having to move our product into their market. If you can locate in the right place and have access to a big market—certainly in the beef area we are looking at the opportunity down the west coast of the United States where there is tremendous population in terms of moving beef into that part of the world in the future. I know clearly in Alberta they believe that is a future opportunity for them.

If we want to say that we cannot compete and fold our tent and go home, that is easy to do, but I do not believe we are in that position. I do not believe that the majority of the industry is in that position. I believe that we can and that we will compete.

If we can compete with the Americans in the North American market, that positions us very well to compete in the markets outside of North America with the products we produce here, either the raw product or some form of processed product.

I have mentioned it many times. The success of Granny's Poultry in Japan is a good story, a story that creates a lot of jobs in Blumenort, Manitoba and a lot of product raised in turkey and poultry farms around Manitoba.

We have a lot of successes, and if people are looking for an opportunity and somebody to talk to about what it takes to access some of those markets, we have people with a lot of experience here in the Province of Manitoba.

Mr. Plohman: Madam Chair, the Minister mentioned oats and canola as far as the U.S. market. Oats has just been removed from the Wheat Board, and of course, the price has fallen dramatically in the last year and not necessarily

because of the removal from the Wheat Board, although many could argue that. Certainly it did not increase.

* (2230)

It certainly did not benefit producers as those who advocated the removal from the Wheat Board for the pony market in the U.S. that it would benefit the producers of oats in Canada, it certainly has not had that effect. In any event, it is not conclusive that there was a benefit. If anything, there has been a negative impact.

At the same time, the canola industry is in some difficulty, the crushing industry. There may have to be further adjustments, closures of crushing facilities. The crushers are losing, according to the information that I have come across, perhaps millions of dollars because of the way that it is marketed at the present time. It could benefit rather significantly from being marketed under the Wheat Board so that the Japanese export premium would be available to all. There would not be the large variations and fluctuations in the selling price that there is at the present time in the present marketing system between producers.

Some producers get a much better price than others within one marketing year. The pooling that would take place under the Wheat Board would ensure all producers gaining access to the Japanese premium for export, and the crushers in Canada would be assured of canola at prices that reflect the North American market. The pool price would ensure that they all receive the same price.

I think there are many advantages to canola being marketed through the Wheat Board, and I would like to ask the Minister whether he would be in favour of at least putting this to a vote. I know that it is not his jurisdiction, but he certainly could have an influence on the decision. It is the third largest crop behind wheat and barley, and I think should be put to a vote of producers so that they could decide whether they want it included under the Wheat Board.

Mr. Flndlay: The Member is asking about expanding the mandate of the Canadian Wheat Board. I have always spoken very strongly that the Wheat Board has done an excellent job of marketing wheat, an excellent job of making sales Government to Government. On that basis there is no question of their success. The Americans clearly recognize it. I mean they want to do one of two things, either knock it out in Canada or get it in place down in their

country. Clearly when I was in Bismarck and we talked about it, really they have a jealousy that the Wheat Board has a marketing strength that they do not have in the United States.

With regard to the mandate being expanded, I do not think that the same criteria exists to make successful marketing of canola under the Wheat Board. It will not be as successful as marketing wheat when we are selling Government to Government.

The canola—you mention that the oilseed crushing industry is in trouble. Clearly it is in trouble. It is not in trouble because of things that have happened inside this country. It is in trouble because of the subsidies that they have to compete with when they are selling the oil around the world. That is where they are running into trouble.

The oilseed crushing industry clearly is looking at how they are going to be able to be competitive, or how can they restructure to be competitive. If they look at removing Japanese oil tariff as a mechanism of saving themselves, what they are really looking at is when the oil tariff is removed it will mean that the farmer in western Canada or Manitoba gets \$35 a ton less for his canola. That means that the oilseed crushers access it for that much less. So the farmer does not get \$35, it just goes directly to the hands of the oilseed crusher. The farmer does not get it. He is subsidizing to the tune of \$35.00.

The other thing is in the pooling concept. Certainly the crushers say, well, seed will be available more regularly because there is no incentive for a farmer to hold it back. That means that if they look at accessing it by the pooling system, they think they will get it cheaper over time. So that means on average, farmers will get paid less under a pooling system than they get right now by selling it direct. If a crusher says to you, well, he cannot access seed because farmers will not sell, it is quite easy to strike an agreement with a farmer that you say, deliver it to me now, and we will set the price later. I mean that is not an impediment. I do not think that lowering the price that the farmers get is a solution to the oilseed crushing industry, because you will just have less farmers growing the product. Even at \$5 and \$6 a bushel for canola, it still has trouble competing with wheat because of the higher risk of growing that crop.

I do not see putting canola under the Wheat Board as a solution to solving the problem in the oilseed

crushing business here in western Canada. We have seven crushers right now, and the future is probably going to be tough for all of them to stay in business—three in Alberta, two in Saskatchewan and two in Manitoba. Clearly, the ones in Manitoba are looking at crushing other products, flax and sunflowers, and maybe getting into further processing in some fashion so that they have a higher-value product to sell.

I think the problem is clearly going right back to our subsidy problem we talked about earlier with various countries upsetting the true market value of that oil in the international marketplace. That is where the trouble is. That is where the solution has to be, not by changing the method of selling canola here in the Province of Manitoba or in western Canada.

I think that the prices the farmers have received over the years for canola has been structurally quite good and the present mechanism of selling it. There are many options available. The farmer can forward price his product before he plants it, while it is in the ground. He can price it after, at time of sale, or he can forward price to sell several months later, or he can deliver it and take a price later. He has many options. Most farmers, through using those options, actually do their own price averaging. I think it is good incentive for farmers to be smart marketers, to have to do that with some of their crops.

Mr. Plohman: I think the Minister is missing the power that is given to the producer through single desk selling, just as it has benefitted the producer for barley and wheat. It could also benefit them for canola. It is usually the case that they have been selling their canola for \$5 or \$6 a bushel. They like to talk about, maybe, the \$9 and \$10 per bushel at one time, but that is not the norm and certainly has not been available, although for the vast majority, there may be certain occasions when there is a higher price for some.

Those who can least afford it are penalized the most under the present system. They have to sell when they need the money as opposed to when the price is right. I believe that the pooling system through the Wheat Board would benefit all of the producers of canola, having a pooled price for all producers being able to take advantage of the Japanese market from the point of view of not undercutting each other, allowing the Japanese—the purchasers are having all the power under that system. They can go and make their own

deal with whoever they want, but with the Wheat Board system, they would not be able to do that. They would have to take the price that is being negotiated from a single seller in Canada.

So I think the Minister is perhaps down playing too much the importance of the power that is provided to the producers through the single desk selling that the Wheat Board offers. I think it is at least worth putting before the producers to decide whether they want to have the mandate of the Wheat Board broadened. It may be that it will also assist over time the industry in Canada as well, with the crushing industry, because we do not want to lose that. We were talking about improving, increasing value-added production and processing.

* (2240)

The way it is going right now, we stand to at least lose one of our processing operations. I do not know whether this would save it, but it certainly might contribute. I believe producers would have a say on that. I do not know whether the Minister trusts what the producers know about it and the circumstances. I would hazard to guess that they would actually vote for having it under the Wheat Board at the present time.

Now if the Minister would not want to risk that, he may say well, they perhaps do not understand as well as he does all the ins and outs of it and what is good for them. I would say, I would like to put it in their hands and see, with all of the information that is available, whether they in fact would make that decision, that Charlie Mayer should abide by that decision. I think it is time to do it. I would urge the Minister to reconsider that issue as well, because I do not believe that any of the arguments he has presented would show that it would be detrimental to canola producers or the crushing industry in Manitoba.

Mr. Findlay: Madam Chairman, clearly, I do not believe that putting canola under the Wheat Board will save the crushing industry or do anything to save the crushing industry. The problems are far greater than that.

Certainly there are two points of view. There are the people who think that would be something they would like to see done. There are many that do not. When you create a vote like that, you create quite a confrontation amongst producers, and I do not know that we want any more confrontations on issues like that for the time being. If there is a strong move by

producers saying we want an opportunity to have a say, I will not say no, but I do not see a strong movement coming forward wanting to have the say through a referendum on canola.

If you look back over the past period of time, sometimes a person who sells early gets the highest price. Sometimes a person who hangs on to it gets the higher price. It is function of time and the markets, and how the price moves. Right now, as I mentioned earlier, there are a number of different pricing options. I heard one this morning.

I believe it is Manitoba Pool that is offering that you can deliver your canola now, take an initial price and then sell it at some time later. They are offering you a pooling concept over the course of the year. If you take some value now and some value later, you pick your time whenever you think the price is high, take your highest price. They are not forcing you to take the full value today or the day you deliver it, but you get a substantial portion of that right now. They are giving them an option that is essentially a part of a pooling process.

As I said earlier, I think it is important that farmers have to follow the marketplace and read the markets. I think it helps make them better marketers. Some of them, particularly our young farmers, are very aggressive marketers. They find markets, and they find crops in which there are good economic returns, because they are good marketers. Often I have heard it said that farmers, because of the shelter of the Wheat Board, have not been as aggressive marketers as they should have been in terms of making decisions on the farm—what to grow, and what gives them a good return. There is no guaranteed profit in growing wheat and barley any more. It is just not that easy. Farmers have to grow other crops, and they have to be able to market them.

I think it is important to keep the marketing principles sharpened in the farmers' minds. As I think back just, say on a personal note, it is very comfortable to grow products to be sold by the Wheat Board, because you sort of step away from the responsibility of marketing. When you grow flax and rape and some of those other special crops you are forced to be a marketer; you are forced to follow the markets and know those crops of which there is a good economic return. It sharpens you in making decisions in your cropping plans a year down the road, two years down the road. The farmer who is sharp in that process over time is going to be the

successful farmer and the fellow that will be not in the arrears column of MACC.

Mr. Plohman: Madam Chairperson, the Minister is forgetting that the open market system that is there is not really an open market and certainly not a perfectly competitive market. It does not exist.

The larger players, the grain companies, the buyers and sellers, particularly the buyers, have much more power than the individual producer because they have much more information. The one who has the best information-gathering system is the one that is going to have the advantage in that system. Those are the large grain companies, the large buyers and sellers.

That is why the Wheat Board equalizes the playing field. That is why the Americans do not like it, because the big grain companies do not like it. They do not want to have to compete with someone, in this case the Wheat Board whose primary interest is to maximize the benefits to the producers, because that is not the grain companies' role, their role is to make a profit, not to maximize the benefits for the producers.

That is why I am saying that there is not a perfectly competitive market out there. There are advantages that certain players have because they have more information than others. What I am putting forward to the Minister is the philosophy that the single-desk selling allows the farmer, the individual, through the Wheat Board to have close to the same power that that buyer has.

The information that is available through the Wheat Board is valuable to that producer and is essential for him to be able to make the right decisions as to what to produce and what not to produce. He can only do that when he is marketing his commodities under the Wheat Board.

I think the Minister is talking about an ideal situation which does not exist because certain players have all the advantages, because they have the sophisticated modern technological information-gathering systems at their disposal.

Mr. Flndlay: Madam Chairperson, I would also remind the Member—I think he is talking about the Commodity Exchange and the people that are there. He says they are sophisticated, they have all the information, that they know everything. A lot of people go broke at that business. I do not say that they know everything. I would say that they have their stress and strain in that process also.

You know, it is interesting, in some commodities where we have a number of buyers suddenly want to get down to one buyer. The hog industry is strong in Manitoba because we have a number of buyers. In Alberta they have one buyer. It is the Government, and they do not like it. So it is a matter of, it is always greener on the other side of the fence, and they think there is some magic in selling through the Wheat Board. I do not see that there is a magic in canola industry that is going to generate the farmer any better income than he is getting today.

It has done well in wheat. There is no question about that. I will not dispute that for a moment, because it is Government to Government selling and it is a system that works well.

When you are selling to a large extent to crushers inside this country, right here in this province, I do not think the mechanism is necessary. It is a further administrative cost that the farmer does not need to have.

In fact the farmer likes to be able to deliver direct to the crusher, and he gets the trucking premium for putting it in there. He gets the maximum price available. There are no in-between people operating. It is him and CSP Foods, as an example, in the Province of Manitoba, selling direct, no in-betweens. He gets the maximum price that way and he gets a premium many times.

CSP does a good job of contracting other kinds of canola outside of the regular canola that most people grow. High erucic acid, there is a big market CSP has found in the United States, again in industrial oil. They contract the acres, crush the product here; all the value-added occur here; and they sell the oil in the United States. So CSP has done a good job. I think they have done a good job in terms of buying from farmers and being sure that they get the best possible price for their canola.

Mr. Plohman: Madam Chairman, I wanted to ask the Minister for his views on the current state of the beef industry in Manitoba. The situation now, with no slaughtering facilities, has made it very difficult for producers in Manitoba wishing to get their beef to market. I have been getting a number of calls from people since the closure of Burns in Brandon, and there is a feeling that High River is just going to suck all available beef there and that will be the only killing facility in western Canada, the current base that things are moving; that, in fact, it is going to require Manitoba producers to ship their cattle so far; that

there is going to be so much shrinkage; and that they are going to lose on that. They are very concerned that we do not have that facility here in Manitoba, that we have really gone backwards.

* (2250)

The Minister can go back to the kind of beef plan that we should have had in the 1980s, when the New Democrats were in Government, and it is fair ball to say that there should have been a feedlot program. As a matter of fact, I thought the Minister could have moved very quickly, even upon assuming Government in '88, and it took some time to get that in place. Even a delay of six months or a year at that time was critical, and it should have happened a year before, at least the year before. In any event, when we were in Government—and the Liberal Leader (Mrs. Carstairs) is laughing about this—the fact is it should have happened the year before. I believe it should have and was certainly lobbying for that in Government at that time.

I am saying that now we have a situation where we do not have slaughter facilities in the province and our producers are very concerned about this, the slaughter facilities for beef. I am concerned, and I think it is important that we try to build that back up again, not just processing. I mean, the processing of the product at Burns is not a substitute for having a killing floor there somewhere. I would ask the Minister whether he is looking at this with his department, whether he has any plans or any mechanisms to try to assist with restoring some facility in Manitoba for the slaughtering of beef.

Mr. Findlay: The Member has opened up a very big issue, and a lot of things have happened in this industry over the past number of years. If you look back to the closing of Canada Packers in 1986 here in Winnipeg, some thousand jobs, or 2,000 jobs, whatever, went at that time. I can say the NDP was in power then and what did they do, but really the issue is that plant got older and older and older. I would say at the head office they just felt that they had already written it off and it was going to close. It had run its lifetime out and it was going to close.

Alberta certainly, as a Government, has done some things to attract the industry into that province, the building of the Cargill plant at High River. Clearly, that company had the resources. The largest gross sales of any company in the United States is Cargill, and certainly I do not think they needed to have Government support to make a decision to build a

plant at High River or wherever, but surely the presence of Government grants helped them make that decision. Alberta also has XL packers, Centennial packers and Lakeside packers, a number of different companies. Centennial-Lakeside together, as I recall the figures, are bigger than Cargill, so Cargill is not going to be the only plant. There is a plant in Moose Jaw.

I have talked with farmers over the past two years about Burns's needing beef, and Burns tells me that they cannot get enough animals to have a kill of 2,000 animals per week. They drifted down to 1,500, to 1,100, and I think by the time they closed they were down to 800 a week. It was not the fact there was not beef here in Manitoba that they were not killing them; it is because they were not able to bid competitively with the other bidders. When a farmer has animals to sell, he looks around and he will undoubtedly take the highest bidder, whoever he is.

I talked with lots of farmers who, over the last two or three years, were going to Moose Jaw because they felt they got a better price or a better grade or something. They felt it was to their advantage to go to Moose Jaw. I would say to them, why do we not support the one here in Manitoba? Well, they had a number of reasons, but they just did not want to sell here. They felt they got the better price there.

In terms of the auction marts, Brandon is the example. Right in Brandon animals were offered for sale every day, and Burns was not buying them there. Other people are buying them, taking them out of Brandon, taking them south, taking them east, some of them west, for slaughter. So they were not able to bid. For whatever reason they decided they were not going to competitively bid. When they closed, they said that they just could not compete because of the deep-pockets approach by Cargill, and the process just sort of disturbed the industry fairly significantly.

It is a serious matter that we do not have a large beef slaughtering operation in Manitoba right now. We have Burns in Winnipeg, which is still here; Beausejour is a plant that kills a few hundred a week; and we have a number of small plants throughout the province killing various numbers of animals.

I do not know what we can do as Government. We have talked with Burns obviously. There was just no way that we could get into the game of what Alberta is doing. It is just out of the question for us, and it

goes against our philosophy. If something is going to survive economically, it can and it will. Once you start to put Government money in, then you take away the proper decision-making process on the basis of economics.

It is my hope -(interjection)- well, Alberta has done it, but you know that two wrongs do not make a right and you cannot compete in that business. I have continually spoken to Alberta about the wrongs that they are doing in terms of the industry. I mean, they have driven all the private sector people out of Alberta in terms of hog processing. They do not have anybody in the private sector there anymore. They have two plants: one owned by the hog board, which is Government-controlled; and the other owned by the Government. Just absolutely the wrong setup. The producers do not like it there either, and it will not be long until they have the same in the beef industry. It is just time.

We have four people in the private sector in the hog slaughtering business here in the Province of Manitoba, and I think that is good, that is healthy, and the producers see the competition that they create as being positive for keeping the hog price up here. In fact, this is the only place in Western Canada that you have a competitive market for setting the price of hogs. You do not have a competitive market in Saskatchewan or Alberta; it is only in Manitoba.

So clearly farmers face some difficulty right now with the closing of Burns. It is particularly with regard to animals that—a cow that breaks a leg, what do you do with it? When Burns was there, you could take it and get it slaughtered. The leg was thrown away, that sort of thing, and the rest of the animal had some meat. You cannot take an animal with a broken leg to an auction mart.

We are going to have to find other ways to handle that. Maybe it is the small slaughtering plants that exist; we can get them done there. I remember when Canada Packers closed here in Winnipeg in '86. There was a lot of hue and cry, well, we will not have any market for our cows anymore. You know, ever since that has happened, our market for cows has gotten stronger and stronger and stronger, because the market is south. Our cows are going south. We would like to have them slaughtered here, but at least there is still a market, and it is a good strong market.

So things have a way of working themselves out over time, and it is very unfortunate that we have lost the slaughtering sector. It is not because we did not have the animals here; it is because of the situation created by Alberta with the subsidization they have put in the business over time. It has just been a cancer that has eaten away at the ability of the private sector company to continue to compete, and they were experiencing losses they felt they could not experience any longer. They have closed the doors for now. My understanding is that they are moth-balling the plant and in the event in the future that the economics turn around or Alberta gets their subsidization out of the industry, they may well come back.

The opportunity is also there for somebody else, when they see an opportunity down the road and build a modern, efficient plant here in the Province of Manitoba.

* (2300)

Mr. Plohman: I wonder whether the Minister is prepared or his Government is prepared to provide some incentive or some support for such a company or co-operative or whatever it might be to invest in a modern facility in Manitoba because of its being unacceptable for Manitoba not to have such a facility.

I know that is the reason that Canada Packers closed. It was an antiquated facility and there was an effort made by Government at that time. There was the federal Government involved as well to offer assistance to modernize, but they refused to do that. I believe that was put on the table.

I do not think that was the case with the Burns plant and maybe it seemed hopeless with that facility. I am not familiar with exactly how outdated it was in terms of being competitive or the possibility of making it competitive. Certainly, with a modern facility, I believe that we could have a competitive operation, and I would encourage the Minister to attempt to provide or to have his colleagues provide some incentive.

I know he said two wrongs do not make a right and he does not want to get into a situation where the Government is artificially determining where these plants are locating. However, we do have the reality of what has happened in Alberta with Cargill and the Government there, but we could, maybe not to that scale, do well to have a facility in Manitoba, with the

jobs that would be associated with it and the convenience and economics for our producers.

I do not know whether the Minister is exploring anything there, but I think he should not just leave it the way it is now and say: Well, we just have to accept this until somebody comes along. I think there should be some overtures made to try to strike some kind of a deal to ensure that happens sooner rather than later.

One other thing I wanted to point out—well, I will wait. I will get come comments from the Minister on that briefly at one other point here before I turn this over.

Mr. Findlay: The only assurance I can give the Member is that we are prepared to entertain any offers that come forward and hear anybody out in terms of wanting to get into the business.

I would just say, you look at the size of the kind of plants that are being built today. It is rather mind boggling to think that somebody can come forward and build a plant to compete. Because every processing line that I hear people talk about—it does not matter whether it is oilseed crushing, or hog slaughtering and processing, or cattle slaughtering and processing—they just constantly are looking at large, efficient plants as what is needed to compete.

Large means real large, and high level of efficiency, high throughput, not just an eight-hour shift. Two and three shifts in a 24-hour period are necessary to use the plant to its maximum efficiency in order to compete. That seems to be the order of the day in the processing industry. At least, in the primary processing.

In terms of the further processing, that seems to be where there is a bit of money that can be made. It is not quite as competitive. That is what Burns is looking at for Brandon, although I know that the Member has said earlier it does not replace the need for some slaughtering facility, but at least it will create jobs, and maybe do something in the beef industry.

Let us look at it, if Burns is selling some further processed products and delivering through the distribution system and accessing the United States or somewhere else, now at least we are value adding those products right here in the province. If they are using some beef products in that line, they will obviously, I would hope, access the carcasses from the smaller plants that presently exist in Manitoba.

Maybe something can be built out of the ashes that we have right now, but to think that somebody can come along today or tomorrow and be able to build a plant, a slaughtering plant, to compete with the size and magnitude that exists in Alberta, it is pretty tough. I hear it in all the other processing sides, they are talking about bigger, bigger, bigger, more efficient, higher throughput, is necessary to compete. I will tell you that the producer is always going to sell to the guy that bids highest, so that is the reality we have to live with.

Mr. Plohman: The Minister talked about the good situation for hog producers right now for competitive bidders. I would just ask him, I have been advised that the Minister has been attempting to have the buyer removed from the hog board who is currently in place there. I am wondering whether the Minister can comment on that as to whether in fact it is his desire, and why he would want to not have a buyer in place by the hog board, as currently is the case?

Mr. Findlay: What are you referring to as a buyer?

Mr. Plohman: Bidder, then.

Mr. Findlay: Where?

Mr. Plohman: With the hog board.

Mr. Findlay: You are referring to the Dutch clock auction that they run every day? Certainly, with regard to the hog industry, in terms of the Manitoba Pork and the buyers of pigs, there has been an ongoing process of discussion, sometimes involving a department, trying to resolve the differences that they have. We have a system there where the board manages the supply of hogs, and runs the Dutch clock auction. That has been a pretty successful process over time.

Hog producers in Manitoba, I think, have had as high an income from selling live hogs as can be obtained. As I said earlier, it is the only competitive auction for hogs in all of western Canada. It is important that we were able to retain that competitive auction, and that the processors all stay in business. The closing of East-West Packers lost us another bidder. We used to have five, so one is gone, gone for reasons that we all know about, they are fairly obvious, an old plant again, and it became eventually uncompetitive.

Burns is here now, Schneider's is here, Forgan Meats, and Springhill. Certainly, Springhill gets most of their hogs, 11,000 a week, by the contract that was struck between the board and Olympia Meats.

They can still buy any hogs they want over and above that each week.

Clearly, there is an ongoing process of discussion trying to resolve the disputes that exist, and they revolve around a number of issues. The one issue that you identify is on the list of topics, and the Deputy Minister is leading that process, trying to act as the intermediary and trying to keep the hog industry moving forward. We have had tremendous growth in that industry over the last number of years, and there is certainly an opportunity for another burst of growth right now. There is no question. Feed costs are low. It is an industry that has a capacity for using a very high quality product, and the markets exist.

The processors believe they have the markets, and they want more pigs to be produced in the Province of Manitoba. So I say it is one of many issues that is being discussed. How it will be resolved over time, time will tell. We are not taking any sides in the issue no matter what issue comes forward. We are acting as intermediaries between the two sides to keep them talking and understanding each other's position. Over time, hopefully there is resolution of the various issues that come forward.

Mr. Plohman: So I am led to understand then that the other buyers there do not feel this is costing them money? Is that the problem, that it is bidding up the cost of hogs for their purchase and that is why they want the buyer removed, or what is the reason for it? I understand that this ensures a good price for producers and then—as a matter of fact, when the buyer was pulled off one day in October, it cost producers \$40,000.00. That is the information I was given, and that is significant if that were to happen. It is certainly something that I would not want to see happen. I wonder whether the Minister said he has not taken sides, if he would agree with that figure as possibly reasonable, and whether that would be in the best interests of hog producers in this province?

* (2310)

Mr. Flindlay: Clearly the buyers make claims and the producers make claims. You know the process of trying to act as an intermediary is we are trying to find a resolution that both sides can agree to, whatever it may be. I think there have been some claims that hogs are taken off the market and sold somewhere else. Well, that is not true. Hogs are

made available back to the processors at the end of the day or the end of the week.

There needs to be a dialogue we are trying to maintain between those two groups of people. My desire is certainly to see the hog producers get the highest possible return they can, and have a market for all their hogs, and keep all the bidders in the system so that the long-term viability is there to keep a competitive system for establishing price. I cannot help but continually refer back to what has happened in the two provinces to the west of us. They lost all that. They lost it because Government got heavy-handed and got in and started to manipulate the process. We are not going to do that.

We will continue the discussion on every issue that comes up to see if we can help a resolution where both sides agree. We are not on this side, we are not on that side. We want both to grow, and both to grow together—increase hog production, more money for the hog producers, more hogs to be slaughtered and processed, and the processors have to make a dollar. They have to sell their product that they buy here and slaughter and process in competition in eastern Canada, the United States, Japan, or wherever. We want them all to grow and be healthy in that process.

Mrs. Carstairs: Madam Chairperson, there are a great many areas that need to be covered, but just to stay on this one for a little bit. The Minister says that they do not want to manipulate, but I think it is fair to say that companies like Burns believe that is exactly what happened last spring when a contract was given via Springhill Farms to Olympia meats which seemed to bypass companies like Burns.

In my discussions with individuals at that corporation, that gave them a sense that they were not as welcome in this province as they wanted to be and what factor that had in their closing down in Brandon, who knows? They certainly feel that they were not given a level playing field, with respect to the hogs, in this particular case.

Mr. Flindlay: Clearly, the whole process is extremely complex and all the players are jockeying for position. If you remember awhile back, a year, a year and a half ago, there was lot of discussion about Springhill just not going to stay open, and the hog board saw that as a serious threat, in terms of losing a market, losing a slaughtering plant, a relatively new facility that they wanted to see stay open.

So certainly they participated, in terms of trying to find somebody who would either buy it or develop a contract with Springhill, and we helped the process in terms of hiring somebody to go out there and search to see if there was somebody who would be a buyer or a contractor.

Olympia came forward and the board struck a contract with Olympia, a complete private contract between the board and Olympia. The board felt that they were doing the right thing for the overall industry, in terms of keeping that operation here, and 11,000 hogs a week grown in Manitoba had a new market. Those hogs were originally being sold in Manitoba and in the northern United States. They took them out and put them in the Quebec market.

So a new market for 11,000 hogs a week, which looked good on the surface, that there should be a market now for the remaining slaughtering plants to find in this area that was vacated by the Springhill contract.

I cannot help but stress it is a private contract between the board and Olympia for a three-year period, and I think you made a comment earlier about it is unfortunate that further processing is occurring in Quebec.

Clearly, the company made statements at the time they struck the contract that it was a three-year trial period, and if things worked well, they would certainly entertain the thought of expanding their operation here in Manitoba in some fashion with the idea that maybe the product they are selling here would be marketed primarily into Japan. It is closer to ship it from here to Japan than from Montreal.

We will have to wait and see what the company's plans will be as the three years move along. We are most of the way through the first year and then certainly if the opportunity presents itself and we get out of this House, maybe I will make a point of being able to talk to them and see what their plans are for expansion in the hog industry here in the Province of Manitoba. I think that the hog industry is an industry that can be expanded here in the Province of Manitoba.

I think the hog board, now called Manitoba Pork Est., has done a very good job of promoting the industry and developing the industry. I think they have worked well with the processing sector over time to make that growth occur, and as there is this growth, each person is jockeying for preferred

position, I guess. That is the struggle that is going on.

I think we are moving forward on a continuous basis between all the players. We are trying to play a role of seeing it move ahead, clearly not on one side or the other. We want be able to see more hogs, better return for the farmer, more hogs slaughtered and processed, and better return for the processors. A complete system working well here in the Province of Manitoba and operated entirely within the private sector, either from farmers or of the slaughtering industry.

Burns, in terms of my discussions with them, do not associate any parallel, at least never to me, between the hogs and the cattle situation. They saw the wrongs in Alberta and they do not want to see the same wrongs done here in the Province of Manitoba with Government intervention that really fouls up the system. If they have a dispute with the contract that was struck with Olympia, I have said to them, well, go to the board and ask for a contract yourself, make a proposal as how you would contract with them, but the board is under a bit of a problem here because if they contract with one or two more then they will not have enough competitors to make the Dutch clock auction work, so they are in the horns of a dilemma. They started down a road that they are having some difficulty with now in terms of being fair and equal to everybody, but I think over time the whole process will work out and the Olympia contract will be over in a couple of years and they will move on from there.

Mrs. Carstals: Can the Minister tell us today if the Springhill Farms has actually approached the Government with respect to additional funding, either from Western Diversification and some provincial monies flowing as well to additional technology at that particular operation? Because without that additional technology, of course, they are not going to be able to do anything but continue the operation which they now have with Olympia. If they were, in fact, going to take them beyond just the slaughter and do the actual final finishing before shipment to Japan, there is no question that they would need to upgrade considerably the plant that presently exists. Has there been any communication of that type with the Government, and is the Government prepared to even consider the same kind of sponsorship, albeit at a much reduced level because we certainly cannot give the kind of Alberta funding because we simply do not

have it, but is there any consideration being given at all to looking at any funding?

Mr. Flndlay: They have not made any approaches through the Department of Agriculture and I am not aware that they have made any approaches to anybody else in Government at this point in time. If I was to project what might happen there, is that it would be Olympia that would be doing it and probably not Springhill, but they may do it in partnership. I think there has not been enough time with that present contract to start putting together the real plans for the future. I would say within the next year that likely would start to happen if there is going to be real plans of further development. Whether it is by Olympia or whether it is in combination or partnership with Springhill or some other partner remains to be seen, but when I get an opportunity I certainly will want to have a discussion with them and see what their plans are, see if they have any plans and in what way we can participate to help it happen here in the Province of Manitoba.

We have always got to be very careful that whatever we might do with them to promote that, that it does not disadvantage the other people doing the same thing in the Province of Manitoba, so we have to be very, very careful.

We would like to promote it, it is a good idea, but we prefer that they did it with their own dollars so that we are not disadvantaging other producers and processors here in the province that have already done it with their own dollars.

Mrs. Carstals: Well, thank you, but I think the Minister should have that conversation relatively soon because it is my understanding that they have, indeed, approached Western Diversification for additional funding to upgrade the technology so that they would know that they could go to Olympia with a future plan down the line and that they would have the funding to upgrade that particular company.

* (2320)

Can the Minister tell us if in fact Burns, prior to its closure, contacted the Government with respect to any assistance to modernize that plant? The one in Brandon I am referring to specifically.

Mr. Flndlay: Clearly, Madam Chairperson, we did have some discussion at Burns, had it over a course of several months, and it came right down to the crunch. We could not see how we could protect our liability if we got involved with them. They chose probably the best option to them right now, to

mothball it and see what happens, because there was not an effective light at the end of the tunnel to see them get out of the losses that they were in.

We analyzed all the options, and it was not an easy decision to say that we just could not get into it, because we could not see that we could ever be out of it. The losses would be there, and the public purse would lose, and we would end up losing the plant anyway, unless Alberta changed what they are doing. Critical factor is, if they change what they are doing and allow the industry to compete between the various players on a level playing field, I think the opportunity is still there to reopen it. If they follow through with their proposal, as they have stated it, just to mothball it, and leave the option of reopening there. The process of our discussion just did not give us any angle we could work on.

Mrs. Carstals: Madam Chairperson, I would like to move into the whole Portage la Prairie wet industry aspect, and how the Campbell Soup plant, which I do not think has quite closed, but will be shortly closed. The first indications were that they were going to move to Toronto. If one pays any attention to Venture on CBC, the indication on a program that I watched recently there was that they are not going to stay there either, and that they are going to move right out of the Canadian market and back into the United States for the same reason that the Minister indicated a little while ago. If you can keep the plant going 24 hours a day, then you can produce massive quantities. This appears to be what the situation would be if you moved back into the States with regard to the soup plants that they have already located there. They simply would have to put on another shift, and that would keep one plant operational and would allow for the closure of all of the Canadian plants that presently exist.

I have also had discussions with Harrison McCain who opposed, as a Canadian, the Free Trade Agreement. He always indicated that from McCain's perspective it was a great deal, but from his personal perspective as a Canadian, he was not in favour of the deal. He also indicated at the same time that if it was to his competitive advantage to move plants over the border after the Free Trade Agreement came into being, he would feel himself compelled to do that for business reasons and not for ethical or Canadian reasons. Primarily, he is in the marketplace to make money, and this would appear to be the direction that he would go in.

This obviously has to give us some concern in this province. McCain, I know, has not made any indication that they are going to leave and I am glad for that, but Campbell certainly has. I would like the Minister to comment on what would appear to be at least a primary direction south of the border by one company, and what tentacles he has out in terms of the viability of those wet industries generally in the Portage area and in other areas and communities in the province?

Mr. Findlay: As I mentioned earlier, the Competitiveness Task Force chaired by Larry Martin from Guelph did identify that we are more competitive than we might think we are running those kind of operations in Canada, versus the United States, but that economies of scale are something that all companies are looking at. With regard to McCain, in particular, I personally have no fear that they will leave here because they are here talking expansion. They know more markets are out there for the high quality French fries produced from Manitoba potatoes.

They have done a tremendously good job of penetrating the Japanese market. That is their market. The Japanese want quality. You have to supply a consistent high-quality product, meet the specs every shipment, and McCain has done that. They have opened that market up. They have plants in the United States, right now, and they cannot produce the same quality product from those plants that they can from Manitoba. There is no question about that. So they know that this is a good place to access potatoes from because it gives the high quality French fry that the consumer wants.

The problem we have in Manitoba is that our production is variable, more variable than they would like. Now you can understand McCain's point of view. If they have a market for—I am just going to pick figures out of the air—400,000 tonnes of a product, they know they have to have so many potatoes come in the door at a certain time to meet that market. That market is unforgiving if you do not get the product there in the quality and the quantity that you have contracted for. So they are saying that if there is any problem in Manitoba it is the unreliability of supply and it is related to our moisture cycle and our droughts. They want to see a much stronger emphasis in the province on growing potatoes under irrigation. They are wanting to see more irrigation, more water available for irrigation in

the Province of Manitoba for the potato industry to guarantee them that supply.

There is another example of where I have gone through a very difficult process of trying to negotiate between growers and processors. Growers were very unhappy with the mechanism of strike and contract. We said it was struck too late and they were not getting an adequate price. Well we have worked with McCain and Carnation for a full year trying to negotiate between the two sides to get an agreement, or an understanding. I think we have some satisfaction out there where this past year they signed a two-year contract for the production in 1990 and 1991. Farmers are happy with the contract. McCain and Carnation, the other competitor, seem to be quite happy with the contract. They are in the business and they are out there producing potatoes and French fries.

So I think there is great growth potential for that industry. It is a good example of diversification. It is value-added completely here in the Province of Manitoba and to me it is a real success story of a partnership that has had its difficulties in terms of when there is growth and things are going good everybody thinks the other guy is getting ahead.

It is the same thing, I think, we have happening in the hog industry. We are trying to work our way through to be sure that both sides of the issue are treated fairly, that they understand each other and they come to some kind of agreement that they can both live with down the road but, clearly, the need for more irrigation and more research to understand how we can increase production through irrigation is needed for that industry to let it grow through the next step. When the market is out there and the processor is prepared to expand I think it is important that we try the best we can to put the product in the front door.

Mrs. Carstens: Madam Chairperson, I would like to move now into another area that the earlier Member addressed and that is, of course, the whole issue of the Wheat Board. I listened with interest to the Minister's response, and whenever he talks about the Wheat Board, he is very careful. He always talks about wheat, and wheat only, when he talks about the Wheat Board. It is not the only commodity under the Wheat Board. Am I to assume from that, that is the only commodity that the Minister thinks should be under the Wheat Board? He keeps arguing that they certainly do a wonderful job at selling wheat, because it is Government to Government. So is

barley, for the most part, Government to Government.

The marketing strategies they have employed have been highly effective, I think that the Minister would agree. I have to say that I was somewhat shocked that the Minister moved so quickly on the whole question of oats. Particularly, as he indicated in the canola area, that he had not seen any real demand from the farmers to go under the Wheat Board with respect to canola. The farmers did indeed make a decision that they wanted to take oats, and yet they were unilaterally removed, without so much as a by-your-leave to the Wheat Board itself, let alone to the farmers who participated in the Wheat Board.

* (2330)

The Minister moved equally quickly to approve the federal Cabinet's decision to remove oats from the Wheat Board. Does he see, therefore, that the Wheat Board should maintain an extremely narrow mandate, and that they should not be looking, despite what the farmers may wish one way or the other? Quite frankly, I have not had any canola growers indicate to me that they wanted to go under the Wheat Board. If they did, would the Minister still take the position that he seems to have taken?

Mr. Findlay: Yes, I will go back to what I said earlier about wheat sales by the Wheat Board, and barley. I just say wheat, but it is wheat and barley, there is no question. I have not received any representations from canola growers that they want a vote or they want it under the Wheat Board. The majority of canola growers seemed to be happy with the mechanism of sales they have right now. The federal Government has tried a number of different mechanisms of handling producer cars and canola sales and, I would have to say, most of the changes they have tried have not worked all that well. The more a Government tries to manipulate a marketplace, the less well it works.

I have not had input saying one way or the other. If the canola council or the canola growers of Manitoba came forward and said we want a referendum, I would not stand in their way. Until they come forward, the people that have a vested interest through their own association are not prepared to support it, are not prepared to advocate it, then there is no need for any referendum. Until that day comes, I do not see any need to change the present marketing system.

I remember back to the mid-'70s and late '70s, even as far back as the early '70s, there certainly was criticism of the Wheat Board in the process by which they are using for selling around the world. I think that criticism generated a rejuvenation on the board to be more effective, more aggressive. Remember that the farmers were growing a product, and they had to get out there and sell it, and they have done that well. I think they are doing quite well right now under very extremely difficult circumstances of competing with export subsidies all over the world. We can no longer just go over to Russia and knock on the door and say: How much do you want to buy? Or go to China and do the same. We have to travel all over the world. I think if I remember the figures, the Wheat Board sells to some 63 different countries in the world, so we are all over the place trying to market our product. They are marketing not only the different grades of red spring wheat, but they are marketing durum, marketing prairie spring wheat and finding different markets for a different quality of product.

The Wheat Board, in most recent years, has been contracting production of certain kinds of wheat and prairie spring is the one I know best. They contract it, the farmer grows it and they take the entire production immediately, no quotas involved. They take the entire production because they have already contracted with somebody to take that and it moves off the farm and out of the country very quickly as part of their market development. So not only are they marketing, but they are involved in market development through contracting the production here in western Canada.

I think there is a lot of discussion that, well, the Wheat Board should not contract, that they should just sit back and put quotas in place. I think they should contract because it tells the farmer there is a market for it. The farmer grows it and they know they have a buyer. They put the buyer and the grower together and they make the system work because, as we have talked earlier, we cannot always be growing bread wheat. We have to find these other crops we can grow and the Wheat Board can play a valuable role in doing that process.

Mrs. Carstals: The Minister says that he would certainly not stop the canola growers, but by in fact saying to the federal Government that it was acceptable what they did under oats, I think he has given a very mixed signal to growers of other commodities who might choose to come forward.

There is also a philosophical issue here. I am sure the Minister and I disagree on this one, and that is fine. That is the nature of the game.

Personally, I think that there was a quid pro quo in the removal of oats from the Wheat Board and that it was a signal to the Americans that the Canadian Government was prepared to weaken the structure of the Wheat Board as part of the Free Trade Agreement and I suspect the Minister does not agree with me there, but I think it was a very negative thing to do so early in the agreement.

Quite frankly, philosophically I see more and more of—and I may not even call them federal cousins, I just think it is the federal Government and the linkages which they see with the United States and whether it is foreign policy or whether it is agricultural policy, there seems to be such a natural tendency to say: Oh yes, well, if that is the way the Americans want to do it, then let us join hands and let us do it together. That fills me with a great deal of unease because I think that we will always be the mouse in the elephant scenario between Canada and the United States.

Just to finish in one other area which does give me concern and that is that, while I have no great qualm with sanctions, even in the Iraqi situation right now, I objected to sanctions on wheat in Afghanistan and I have real difficulties with sanctions on wheat, for the same reason, in Iraq.

It is very much a personal thing with me because I think bread is the food of life and I do not know if we have the right to deny starving people the right to wheat.

I have no difficulty in cutting back in every other commodity, except possibly medicines, but with wheat I have always had that difficulty and maybe it is because it is a Canadian crop, but I do not think so.

I think it is the nature of the crop and the fact that whether it is converted to pasta, or whether it is converted to bread or whatever it is, it is such a basic foodstuff that I do not think it is the war mongers that we attack there. I think it is children, mothers and poor starving people that are mostly affected by any kind of limitation upon wheat exports.

Mr. Findlay: Just the one more comment on oats and the Wheat Board. As I remember the figures in terms of volume of production, oats are 11th on the list so they are really down in the special crops category. Some arguments were developed that,

well, since it is a special crop that independent companies, smaller companies, can do a better job of accessing these small niche markets that exist down there, whether it is health foods or whether it is race horses or whatever it is, and that the Wheat Board is not designed to chase these small niche markets.

As I look back, you know, I do not know what went through the mind of the Minister, why he did what he did. We have used a process of consultation quite effectively in a number of other things that have happened since then.

One thing that did take place in the fall of—it must be three years ago now, I guess, or whenever it was—United Grain Growers had their annual meeting in November in Edmonton. They had a unanimous resolution. I should not say unanimous. As I recall, three people did not support the resolution that they wanted oats removed from the Wheat Board.

So from a co-operative in western Canada that represented all three prairie provinces, they sent that resolution to the federal Minister. Whether that triggered his response or what triggered it, I do not know. Whether there is any connection to the Free Trade Agreement, I have no idea, none whatsoever.

With regard to Iraq and the embargo, certainly I can understand the Member's feeling that food should not be used in this way. If you look at what Iraq and their leaders have done, it is pretty unacceptable what they have done to the neighbouring country and what they may well have thought of doing to other neighbouring countries.

I guess it has been a foreign policy decision, not only by this country, but many, many countries around the world, that one of the best ways to stop further aggression is to put a large number of embargoes in place and hopefully bring them to their knees. Whether that works, in terms of getting a peaceful resolution over there, remains to be seen.

* (2340)

Clearly, we have sold a fair bit of grain to Iraq and a lot of it had already gone, although I understand a couple of ships got caught in transit when that embargo was put in place. We have been assured that any economic impact will be looked after by the federal Government, although I do not know how you define that. It is a nice statement to make, but tough to be able to say that you actually did or did not do it.

So it is a tough choice, but we do not—I think in the farm industry or any sector of the economy now—agree that aggression should be tolerated. This is not the time and the place to say it, but if you look back at what happened in 1939, it was allowed to go too long and then it took six years to turn that around. Had some earlier action happened, it might have stopped a great, great big war that did take place.

I would hope that nothing like that happens where we are at right now because it would hurt not only the people of the area, but think of the loss of energy. Just think what Russia is going to experience this present winter. I mean, you are talking shortage of fuel, and they will also, I am sure, have difficulties with enough energy to get that country through.

Mrs. Carstairs: First of all, I want to make the Minister realize that it is not all food stuffs that I object to being embargoed. It happens to be particularly wheat, which I object to being embargoed. Also, to clarify an historical point, he should have been stopped in '33, not in '39.

I am not going to be here all of tomorrow because of another commitment, actually my Education responsibility. So I would like to move into another area, which I think I can legitimately say can come under this section.

One is, can the Minister tell us where his department happens to be with respect to right-to-farm legislation?

Mr. Flindlay: We have spent a fair bit of time on right-to-farm. I have talked about it, and certainly told everybody I have talked to about it, that we are proceeding in the process of trying to put something to paper that we will eventually bring in.

We had put together a White Paper which we sent out to our members. I think it was about nine different organizations and requested their input, to look at it and comment. They all came back generally agreeing with the process we had laid out, but the one thing they raised was that whatever we do on right-to-farm should be consistent with whatever is in The Planning Act under Rural Development, and The Environment Act and the Minister of Environment (Mr. Cummings).

Right now we are in the process of being sure that what we are proposing is consistent with those other two Acts or that they are all complementary to each other. Some of the right-to-farm difficulties can be handled under proper planning. We are in that

process right now, going back to those groups with further discussion and consultation, before we bring the Act forward. I had wanted it to be in this legislative Session but it is obviously not going to be. We are looking at the next legislative Session.

Clearly there is a little bit of difficulty in having it be strong enough from a farmer's point of view, but at the same time recognize the rights of citizens under the health Act, the food Act, The Environment Act and The Planning Act. We are trying to get everything consistent and workable. Really the one of the bases that we are proposing in there is a complaint board so that if either a resident or a farmer has a complaint against the other that there is a group of peers who can hear the complaint, deal with it and not allow it to go to court any further after that unless it is on a point of law. That is the process and we hope it will work, but it will only work when we have farmers operating under what is deemed to be acceptable farming practices.

Generally there are pretty good guidelines as to what acceptable farming practices are, but when it comes down to livestock operations it revolves around odour. When you have manure you have odour, and you have to put it into the land or recycle it in some fashion. There are some difficulties when there are residents in close proximity, but hopefully the structure that we bring forward will be workable for the farming community and give them some degree of protection. I cannot promise it will be 100 percent protection that maybe some of them would like because there are some very difficult conflicts that exist. In fact sometimes it will be a grain farmer who does not like a hog farmer down the road. I mean there will be two farmers disputing because one does not like the odours of the other.

Even when I was campaigning last year, the Member obviously knows I was in a different riding, but I cannot forget one evening, about 5:30, going to a house and the young couple had just got home. They did not have any questions, but they said, oh, by the way, why was that guy out in that field with a combine at eleven o'clock last night? They had just moved into that area and just across the street was a field where a guy was combining. Eleven o'clock at night is not all that late, but you know he had just moved out there and the only thing he could think about to comment on was that. His attention had been drawn to it. The guy had the field all combined, this was only one night a year, but it is funny how people react when they get out into the country.

Mrs. Carstals: I am surprised he did not comment he was doing it at three or four in the morning instead of eleven.

In terms of the whole area of right-to-farm legislation, can the Minister tell us what has been the effect of the education program on stubble burning, and has it significantly reduced the number of farmers who are using what I think all of us would accept is not a good farming practice and has been proven to be such? With some of them it seems to be taking a long time to get that message over to them.

Mr. Flndlay: The department and I have put a lot of effort into trying to get farmers to turn this practice around. I would say over the last 10 years, the majority of Manitoba farmers have burned less and less and less. In my own area where I farm, there is virtually no stubble burned anymore, whereas 15 years ago an awful lot was. People have learned that they can till the land and work it in. The kind of equipment we have today does that quite well.

What we did this past year, working with staff, working in the south and the west of the city when the burning did occur, was put out a brochure promoting residue management. We gave them a code of burning practice. In other words, if you burn, burn smart. Do not burn in the evening when the smoke is going to be maximum.

We did a direct mail-out of the brochure and the code, along with a letter to some 3,000 farmers in the Winnipeg area. We put out press releases resulting in interviews from radio and articles in the newspapers, newspaper ads, Winnipeg Free Press, direct contact by staff with several farmers who are known to be burners, trying to convince them to do otherwise, put signs along roadsides beside unburned fields showing how it can be done.

I heard farmers talk about, well, we will burn just the wind row, but to prevent the fire from getting away we will take out the centre shanks of the cultivator and cultivate up and down either side and burn during the day so that you minimize the amount of smoke.

Certainly this year, because we had a much better crop, we had a lot more crop residue out there so the incentive to burn was there. The amount of burning, the number of fields burned is about the same as the year before in the various comparisons that were done. You might say in terms of percent of burning that occurred, we did not make any

progress, but there is a lot more residue out there so the fact that it did not increase, to me, is a step in the right direction.

* (2350)

I can tell the Member—I am sure she is well aware—that there is a burning by-law in the City of Winnipeg. It is illegal to burn unless you get a permit. You know, the one area of the province where there is increased burning this year—inside the City of Winnipeg boundaries where the by-law exists, farmers burned more. The city has this by-law, has not enforced it. Whether they should or should not, I do not want to get into that discussion.

I think the process has to be to attempt to convince farmers not to use that practice. The more examples we get of people who have taken a heavy crop, worked it in, and if they have good success in getting an adequate seed bed next spring that would be further opportunities to show, for people that still burn, you can work your residue in and get a good seed bed for the next year.

Obviously we have to work with people closer to the city, inside the city limits, to do the same thing. I am very disappointed that the people inside the city chose to burn more than they did the year before, but I was quite pleased that outside, at least we kept a lid on the problem when there was a lot of residue out there that could have been burned. The fact that some people burned smart and burned in the daytime to minimize the smoke also helped the process.

Mrs. Carstals: I think the Minister is well aware that while the thing that gets the publicity is the highway accident, indeed, it is the asthmatic who is probably personally suffering the most as a result of stubble burning. I hope that the initiatives that the Government has begun will be continued, and they would be prepared to look at other initiatives if the ones presently are not working as satisfactorily as they might like.

Can the Minister tell us if he is in fact looking at some kind of livestock patrons assurance fund which became so obvious in the East-West Packers situation when there was 20 cents on the dollar for the livestock of a producer, maybe becoming less important since we seem to be slaughtering fewer and fewer of our cattle here. It is still very important to the producer who finds himself or herself getting paid very little on the dollar, simply because of a bankruptcy at the wrong time.

Mr. Findlay: Prior to November of '89, there was nothing in place in the province for bonding or licensing at all. Through a process of considerable consultation with the industry and with the people that were buyers, the bond that we agreed to was \$25,000.00. We had initially wanted to have \$50,000, but in the process of consultation, both buyers and farmers argued us down to \$25,000.00. They said if you make it \$50,000, you will drive some of the buyers out of the business. We do not want to see that happen. The bond of \$25,000 was relatively consistent with what existed in other provinces.

Well, as it turned out, that was not sufficient in the East-West case, not at all, and that is why the payment was, I think it was 19 cents on the dollar or something to that effect. We have been in discussion with MCPA and the auction mart association, with regard to a vendor security program that would require on every sale a certain amount be set aside into a trust fund that could be used in the event that there was an economic collapse somewhere down the road.

We had a presentation made to us which seemed to indicate that there was broad support for it in the industry. Subsequent to it, we have had indications that maybe some of the players are not as satisfied with what is being proposed as others. So it is in the process of further development.

The proposal that was laid in front of us said at every time the animal was sold, whether it was from farmer to an auction mart or auction mart to somebody else, or direct to a slaughtering plant, that protection would be in place. Now we are having some of the buyers saying that they do not want to be part of that system. We are trying to work it out so that there is a vendor security program in place that can build up a fund over time and give the livestock industry the protection they need.

We need to have that function interprovincially as well, so that when animals move across the border, which obviously they are going to do more of in the future, and they have done more and more of over the past two years, they need to have that protection.

Mrs. Carstairs: Madam Chairperson, if the Minister has staff here, I would like to move briefly into Veterinary Services. In terms of veterinary medicine, I mentioned in my opening remarks that I know that they had added to the numbers that they

are training at Saskatoon which, of course, is the only heavy animal or large animal facility and probably tends to attract more in the way of rural veterinarians as a result than say, Guelph, which tends to specialize in small animals. I am not sure what P.E.I. is doing, but I understand it is small animals as well, which seems to attract the urban veterinarian as opposed to the rural veterinarian.

In that there are going to be additional students, are we targeted to get some of those additional students? At the same time, are we going to be increasing our scholarship program, so that we can ensure that Manitoba students can fund adequately their ability to attend this particular college?

Mr. Findlay: Our present quota at Saskatoon is some 48 students. Of those 48 students right now 32 of them are participating in the scholarship program which is up to \$750 a year for five years. If they come back to Manitoba they get their indebtedness written off at a fifth per year if they do service in rural Manitoba.

In terms of our success at getting veterinarians into rural Manitoba we are short two or three right now, which is not all that bad. We are certainly no worse off than Saskatchewan or Alberta in terms of having rural veterinarians filling all the positions. In fact I think it is fair to say we are maybe even a little better off than they are.

We have been quite successful in getting our large animal veterinary clinics manned and staffed. In my own personal experience I have seen—you know, go from one vet to two vets to two and a half vets in a clinic, and the service they give, I have never heard any complaints about the service they give in rural Manitoba.

I think the scholarship system is working. We are attracting, as the Member well knows, more and more women to this industry. I guess we used to fear they would all end up in small animal. That is just not the case. Many of them end up in large animal practice, and they go out and they do quite well.

I would just like to tell the Member that in my own back yard we have gone from one vet in the clinic to two vets in the clinic and two other vets working in the area as privates outside the clinic. So really we have four vets serving the area where five years ago we had one. There seems to be enough business to keep them all there. It sure keeps the farmer happy that there is a choice to use when it comes time to call a vet in the middle of the night.

Mrs. Carstairs: Having paid \$2,400 this past year for colic surgery on a horse, I can certainly understand that it is a lucrative profession.

One of these issues though that is of concern is that the Manitoba diagnostic centre seems to lack the capacity to do some of the testing that is necessary in the province, selenium testing for one. The deficiency testing cannot be done in Manitoba and apparently, while we all recognize it is a chronic problem on the Manitoba-Saskatchewan border, there seems to be a lot of purchasing going on now without the testing because there is no guarantee you can get the testing done.

Can the Minister tell us if there is any direction and change in this area so that either we will be able to access that testing here in the province, or that we will be able to work something in a contract relationship? I understand now it is a very loose arrangement, that if your vet happens to know a vet or know someone in a lab in another province you may be able to get the testing done. If not, you may not be able to get the testing done. Are we working toward resolving that particular thing?

* (2400)

Mr. Findlay: Just so the Member knows the level of use of the lab, going back to 1973 the number of accessions—I presume that means cases—we were running rough 6,000 to 7,000 cases in '73; by 1980 it was up to 8,000 cases; in '85 it was up to 12,000 cases, and '89 we are up to 17,000 cases. This year they project 18,500 accessions, or cases, that will actually be handled by the lab. There is just an escalating number of samples that are coming in and a wide variety of tests needed to be done. It is my understanding that there are certain specific tests that maybe it is not economically efficient for us to do every test year, that they are better done elsewhere.

I am a little bit surprised that you are saying there is some lack of co-ordination in getting some of these tests done because when I visited the lab last spring they were quite adamant that they had a good process to handling any tests that needed to be done outside the province. It would be most economically done that way, done by people who are routinely doing those unique tests so they are more professional at it. They did not feel that they should be doing all these unique tests, but they may do one every three months, that sort of thing, because they would not feel that comfortable or

proficient at it. They prefer that somebody else did all of them, say in western Canada. I did not catch the specific test that you are referring to.

Mrs. Carstairs: Selenium deficiency tests.

Mr. Findlay: Oh, selenium. Apparently it is B.C. where we are supposed to be getting them done. If we do not have a constructive or a good process for getting them out there, I will certainly look into it. Selenium, or vitamin E deficiency, is certainly quite a complex package. It has been identified over some period of time that we do have areas of the province that do experience that. Copper is another one. It seems some of these unique minor element deficiencies are showing up more and more. As our system of testing becomes more precise, more elaborate, we are identifying more and more, and probably one of the reasons why we have quite an increase in the number of cases that are brought forward.

I heard nothing but good comments about the lab. Certainly at high periods of use in the spring, at calving time, there is some challenge in turnaround time, but if the vets properly identify the tests they need done and pinpoint what needs to be done, rather than the lab vet having to do a whole array of tests, they can certainly speed up the process of turnaround. I think it is a good system set up in terms of delivery of the samples through the buses in here and getting the results back by fax. The lab works hard. They work well under the stress of some of the busy seasons, and I think they are doing a good job. Any vet that I have talked to has been pretty happy. Everybody can always think of an example where maybe the turnaround was not as fast as they wanted it and this sort of thing, but by and large when asked in balance to analyze it, the criticisms are very, very little.

Madam Chairman: Item 4. Agricultural Development and Marketing Division \$12,529,500
(a) Administration: (1) Salaries \$98,600—pass; (2) Other Expenditures \$7,900—pass.

Item 4.(b) Animal Industry Branch: (1) Salaries \$1,658,100—pass; 4.(b)(2) Other Expenditures \$592,100—pass.

Item 4.(c) Veterinary Services Branch: (1) Salaries \$1,482,600—pass; 4.(c)(2) Other Expenditures \$1,176,300—pass.

Item 4.(d) Soils and Crops Branch: (1) Salaries \$2,014,600—pass; 4.(d)(2) Other Expenditures \$1,196,200—pass.

Item 4.(e) Technical Services and Training
Branch: (1) Salaries \$1,961,000—pass; (2) Other Expenditures \$1,216,600—pass; (e)(3) Agricultural Societies \$531,200—pass.

Item 4.(f) Marketing Branch: (1) Salaries \$295,700—pass; 4.(f)(2) Other Expenditures \$298,600—pass.

Resolution 9: RESOLVED that there be granted to Her Majesty a sum not exceeding \$12,529,500 for Agriculture, Agricultural Development and

Marketing Division, for the fiscal year ending the 31st day of March, 1991—pass.

The hour being after 10 p.m., committee rise.

Call in the Speaker.

IN SESSION

Madam Deputy Speaker (Louise Dacquay): The hour being after 10 p.m., this House is adjourned and stands adjourned until 1:30 p.m. tomorrow (Tuesday).

Legislative Assembly of Manitoba

Wednesday, November 26, 1990

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