



First Session - Thirty-Sixth Legislature

of the

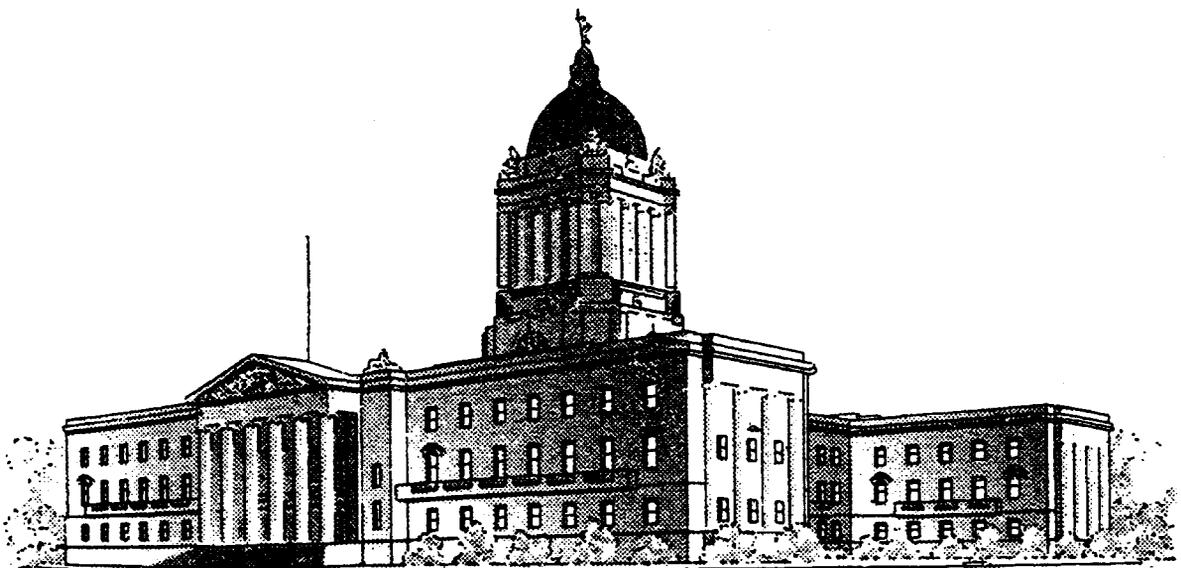
Legislative Assembly of Manitoba

Standing Committee

on

Economic Development

Chairperson
Mr. Mike Radcliffe
Constituency of River Heights



Vol. XLV No. 4 - 7 p.m., Thursday, October 19, 1995

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

Members, Constituencies and Political Affiliation

<u>Name</u>	<u>Constituency</u>	<u>Party</u>
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary	Concordia	N.D.P.
DOWNEY, James, Hon.	Arthur-Virden	P.C.
DRIEDGER, Albert, Hon.	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim, Hon.	Charleswood	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
McGIFFORD, Diane	Osborne	N.D.P.
McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
PALLISTER, Brian, Hon.	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
ROBINSON, Eric	Rupertsland	N.D.P.
ROCAN, Denis	Gladstone	P.C.
SALE, Tim	Crescentwood	N.D.P.
SANTOS, Conrad	Broadway	N.D.P.
STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
SVEINSON, Ben	La Verendrye	P.C.
TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.

**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**

Thursday, October 19, 1995

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Mike Radcliffe (River Heights)

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Ernst, Stefanson

Mr. Ashton, Ms. Cerilli, Messrs. Evans (Brandon East), Helwer, Newman, Pitura, Radcliffe, Sale, Sveinson

APPEARING:

Mr. Kevin Lamoureux, MLA for Inkster

WITNESSES:

Mr. Rob Hilliard, President, Manitoba Federation of Labour

Mr. Rick Wiend, CUPE Local 500

Mr. Gary Russell, CUPE Manitoba

Mr. Peter Holle, Manitoba Taxpayers Association

Ms. Maureen Hancharyk, Manitoba Nurses' Union

MATTERS UNDER DISCUSSION:

Bill 2–The Balanced Budget, Debt Repayment and Taxpayer Protection and Con-sequential Amendments Act

WRITTEN SUBMISSION:

Mr. Victor Olson

* * *

Mr. Chairperson: Good evening, ladies and gentlemen. Would the Standing Committee on Economic Development please come to order.

Our first order of business this evening is to elect a vice-chairperson, as the position is currently vacant. Are there any nominations?

Mr. Edward Helwer (Gimli): Mr. Chairman, I would like to nominate David Newman.

Mr. Chairperson: David Newman has been nominated. Are there any other nominations.

An Honourable Member: I move, nominations are closed.

Mr. Chairperson: A motion has been presented that nominations close. David Newman has now been elected as vice-chairperson of the Standing Committee on Economic Development. Congratulations, Mr. Newman.

We have before us the following bill for consideration this evening, that is, Bill 2, The Balanced Budget, Debt Repayment and Taxpayer Protection and Consequential Amendments Act.

Before continuing on with the business before the committee, there are a few matters to clarify at this point. It is our custom to hear presentations from the public before detailed consideration of bills. At this point there are, we believe, either 25 or 26 persons registered to speak to Bill 2. Is it the will of the committee to hear these presentations? [agreed]

At this point I will read out the list of names so that the persons registered to speak to the bill can be assured their name is on the list and know the order the names are listed in. These are the presenters and the organizations: 1. Peter Sim on behalf of Manitoba Association for Rights and Liberties; 2. Rick Wiend, CUPE Local 500; 3. Gary Russell, CUPE Manitoba; 4. Peter Holle, Manitoba Taxpayers Association; 5. Vera Chernecki, Manitoba Nurses' Union; 6. Maureen Hancharyk, Private Citizen; 7. Betty Edel, President, Community Education Development Association; 8. Linda York, President, Manitoba Teachers' Society; 9. Dr. John Loxley from Choices; 10. Rob Hilliard, President, Manitoba Federation of Labour; 11. Mark Francis, Private Citizen; 12. Diane Beresford, Private Citizen; 13. Darrell Rankin, Communist Party of Canada, Manitoba Branch; 14. Ian Fillingham, Private

Citizen; 15. Dan Kelly, Canadian Federation of Independent Business; 16. Peter Olfert, Manitoba Government Employees' Union; 17. Lawrie Deane, Community Action on Poverty; 18. Paula Prime, Manitoba Action Committee on the Status of Women; 19. Ron Schmalcel, Private Citizen; 20. Dr. Sid Frankel, Canadian Mental Health Association; 21. George Harris, Private Citizen; 22. Elizabeth Carlyle, University of Winnipeg Students Association; 23. Nancy Paterson and Pat Isaac, Transcona/Springfield Teachers' Association and Seven Oaks Teachers' Association; 24. Robert Brazzell, Manitoba Chamber of Commerce; 25. John Wiens, Seven Oaks School Division; and we are anticipating that a Victor Olson, a private citizen, may be faxing in a written presentation. We have not had anything yet, but there has been some communication from this individual.

If there is any person present in the audience this evening who wishes to appear before the committee and has not yet registered, you may register at the back of the room, and your name will be added to the list.

* (1910)

A further matter to deal with at this point is the out-of-town presenters. It has been the practice of the committee in the past to allow persons from out of town to present first as a matter of courtesy. Currently we are aware of one person registered to speak tonight who is from out of town; that is person No. 12, Diane Beresford. Does the committee wish to grant its consent to hear from the out-of-town presenter first?

Mr. Steve Ashton (Thompson): Not only would I support that, but there is also another circumstance I am aware of. The person requesting might not be available later on today, which is No. 10, Mr. Rob Hilliard. So I would ask if it would be possible if he could also present.

Mr. Chairperson: Is that the will of the committee? [agreed]

Before we proceed with public presentations, does the committee wish to establish any limit on public presentations?

Hon. Jim Ernst (Minister of Consumer and Corporate Affairs): In light of the fact that there are 25 or 26 persons wishing to present and in light of the fact that it is 10 minutes after seven and if everybody spends a reasonable amount of time giving their presentations, it will take us a very long time to get through them all.

In light of the fact that we do not want to keep people here all night long waiting to make their presentation, I would suggest, Mr. Chairman, that perhaps we ask them to limit their presentations to say 15 minutes or so. Then we could ask any questions, I suppose, after that. That at least would provide some semblance of assistance to, I think, all of the members of the public who want to appear and who are here at the present time.

Mr. Ashton: Yes, we have been through this type of discussion before, and I know our preference is not to have time limits. But if the minister is going to suggest any kind of limit, I think 15 minutes would probably be restrictive. My experience would be that 20 minutes would still restrict some presentations but would probably, with some flexibility on the part of the committee and the Chair—this is a fairly detailed bill, and I just would suggest that if we are going to have any kind of limit, I am not saying we would not be necessarily in support of it but, if we are, then I think 15 minutes is probably a little bit restricted. Certainly, if it was 20 minutes, along with questions, I think, even though our preference would be to not have any limits, that would probably be better than 15.

Mr. Ernst: I will second Mr. Ashton's motion.

Mr. Ashton: It was not a motion.

Mr. Chairperson: Is it agreed?

Mr. Leonard Evans (Brandon East): Is it 20 minutes plus questions and discussion?

Mr. Chairperson: That is what Mr. Ashton said.

Mr. Leonard Evans: We may find, Mr. Chairman, that that is more than reasonable and many of the briefs may be much shorter than that. Who knows?

An Honourable Member: Let us try the 20 minutes.

Mr. Leonard Evans: Agreed. But, as our House leader has stated, this is probably the key legislation that we have before us this session and one that has very fundamental implications for the future of the economy, the future of public finance, so we should not shortchange ourselves if we can get any advice on this.

Mr. Ernst: Twenty minutes is fine. I am only trying to think of the ability of the members of the public to endure sitting and waiting for long periods of time. So let us try 20 minutes and see how it works out.

Mr. Ashton: I would also suggest that we have a set adjournment time, Mr. Chairperson.

Mr. Chairperson: Can we perhaps deal with this one item at a time? Is it agreed that we will try and limit the presentations to 20 minutes plus questions, given that the Chair would be flexible with the presentation. If somebody is about to wrap up, we certainly would not cut them off in midthought. Is that the will of the committee? [agreed]

Mr. Ashton: I am suggesting that we sit no later than eleven o'clock. I think that is reasonable, especially with the time limit that has been established here. I think we will go through fairly steadily tonight, but my experience—and I have been here with committees, in fact, other members of this committee have been here as presenters where we have had upwards of 200 people registered to present. Somehow 26 does not strike me as being an excessive number of presenters on what is a very important bill, so I would suggest that we not sit beyond eleven o'clock, to convenience members of the public.

We will still get through a significant number today, and we are quite willing on our side to discuss this committee hearing and what other possible meeting times we might have. But we are sitting until November 3, so we have another couple of weeks ahead, so we are more than willing to sit whatever length of time it takes, but not beyond eleven o'clock.

Mr. Ernst: I think we can use that as a guideline at the moment until we see how we make out. If in fact we

are close to the end at eleven o'clock, we may wish to continue on. If we are not, then eleven o'clock seems like a reasonable time to me, bearing in mind, Mr. Chairman, that should we not finish tonight, I intend to call the committee again for tomorrow at 1:30 p.m.

Mr. Chairperson: Mr. Ashton, would you be agreeable that we could use that as a guideline, the eleven o'clock deadline, if there were one presenter to go or if we were close to wrapping it up we could exceed that time, given that Mr. Ernst has indicated that he has prepared to call the committee again tomorrow?

Mr. Ashton: I do not mind, if there is one presenter left. We have done this and that is for the convenience of the presenter. That is not my concern, but the problem with this process is that if we have an open-ended adjournment time we end up having people coming who are not able to stay until eleven o'clock, which is quite late, to my mind, for most people.

I think it is important if someone knows there are two or three presenters ahead, that they know that if they cannot stay here beyond eleven o'clock that they can come back at a more reasonable hour. I think we strived towards that. So long as eleven o'clock is a fairly clear target time and so long as we are flexible in the sense that people cannot come back after ten o'clock and can return, say, tomorrow, that we will sit, I do not see any difficulty with it.

I do not want it to be, eleven o'clock we try and run things through. That is really important for our side, so if the government House leader wants eleven o'clock as a guideline, fine, but so long as we are willing to come back tomorrow at 1:30 p.m. I think that is probably more reasonable than going much beyond eleven o'clock.

Mr. Chairperson: I see that there is—

Mr. Ernst: We could have heard one presentation already.

Mr. Chairperson: I see that there is agreement on the committee tonight that we will assess the issue at eleven o'clock with the understanding that we will be sitting again at 1:30 tomorrow afternoon to hear

additional presentations if there are a significant number. Otherwise, if there is one to go at eleven o'clock, we will push to wrap it up. That is agreed? [agreed]

We are now ready to begin to hear public presentations. Our list indicates and I believe Mr. Ashton had indicated that there was a Mr. Hilliard, who is item No. 10. Perhaps we could call him first, and then I will proceed to Ms. Beresford secondly and then call the list in sequence.

Mr. Hilliard, are you in the audience tonight? Good. Could you step forward to the microphone, sir, and present your presentation. Before commencing, sir, do you have any written presentation?

Mr. Rob Hilliard (President, Manitoba Federation of Labour): Yes, I do. There are copies being handed around now.

Mr. Chairperson: Very good. Thank you, sir. Please proceed, sir.

Mr. Hilliard: The Manitoba Federation of Labour has promoted the adoption of wise economic policies by all three levels of government for nearly 40 years. We have urged governments of every political stripe to govern in a fashion that promotes fairness and justice for all Manitobans, to implement policies that are focused on improving the quality of life for Manitobans and to ensure a secure future for our children.

The challenge of meeting these objectives requires an evenhanded, fair approach to dealing with issues such as public debt and deficits. The use of deficit financing by governments to meet specific economic and social goals is an essential tool for any government to have at its command.

* (1920)

This is how unforeseen difficulties and the highs and lows of the business cycle can be dealt with immediately in order to benefit citizens and to ensure that a minimum amount of negative impact is experienced. Of course, the remedy must be balanced

by paying down the debt or deficit as economic conditions improve.

Overall, we believe that good government budgeting is characterized by a number of elements. First of all, it should counter the sometimes erratic private-sector impact on the economy to avoid the inevitable boom-and-bust cycle that private sector-based economies are noted for.

In good economic times, a government-controlled progressive tax structure can and often should result in a government surplus. In poor economic times, it is usually advisable to minimize the effects of the downturn through deficit budgeting.

Government budgeting should also bring fairness and equity to the economy. It should ensure that all members of society are able to participate in the economy's rewards and responsibilities by serving as a fair distributor of wealth through progressive taxation and judicious spending policies.

As you are aware, government budgeting has a tremendous impact on the delivery of important social services which, in large measure, establishes a floor for the quality of life for Manitobans. The ability of government to deliver these programs must be a fundamental part of all budget exercises.

Too often, governments have taken the economic activity sparked by timely intervention through deficit budgeting as a signal to reward loyalty and election campaign contributors with tax reductions, tax holidays, grants and other government revenue reductions.

This, of course, is exactly the wrong thing to do. It means that government is operating with only half the equation. Government intervention during the bad times must be balanced with government surplus during the good times in order to keep the books balanced. The successful use of deficit financing requires a dedication by government to a fair and progressive tax policy, using the taxation benefits of a healthy economy to pay off the debt incurred during periods of economic instability.

Putting privileged and corporate interests ahead of the larger public interest is responsible for a significant portion of the public debt. In recent years, corporations in Manitoba have enjoyed nearly \$100 million in tax breaks. Government funding of elite private schools has increased since 1994 to more than 63 percent of their budgets, while support for the public school system has been allowed to dwindle to only 66.1 percent. Community college funding has been cut by \$10 million, putting an end to 120 jobs.

At the same time, business has received more than \$30 million in grants and tax breaks through the mysterious Workforce 2000 program. If the government's real objective was deficit reduction, why does the government deliberately turn away from revenue sources which would help it balance the budget?

Of course, the best remedy for our economic challenges is the adoption of an effective jobs-and-wages strategy as the government's No. 1 priority. Giving Manitoba's 41,000 jobless workers access to well-paid, permanent jobs will increase government's revenues and decrease social safety net expenditures.

The Filmon government is able to contribute directly to job creation by reversing its own job destruction policy while at the same time preserving the vital public services that Manitobans need to maintain their standard of living.

Hundreds of well-paid public-sector jobs have disappeared through layoffs and program reductions, reducing services to the public and increasing the ranks of the jobless. Since 1993, in primary health care alone, more than 1,400 jobs have been cut and over 300 beds have been closed in our hospitals.

Another step the government can take to alleviate high unemployment is to promote the adoption of a job creation strategy by business. Government and society must demand that business live up to its social responsibility by returning to the community a measure of the profits it realizes in the form of quality, permanent jobs. The government must make job creation a prime condition to be met by business in its dealings with government.

Governments have a responsibility, both moral and legal, to govern in a fashion that includes the interests of all residents. They have a responsibility to ensure access to good quality jobs, to basic services such as medicare, to a high-quality education system and to social safety net structures that are designed for the elderly, the impoverished and those with special needs.

These services have not been well treated by this government since 1990. In addition to the cuts we have already referenced, \$2 million has been cut from the Access program, a program that benefited disadvantaged Manitobans; the student social assistance program has been ended; funding was cut for the New Careers training program; the Pharmacare deductible was increased by more than 50 percent, and hundreds of drugs were removed from the insured list; clinician services to the hearing and visually impaired have been cut by more than 22 percent; 56 community groups, including Indian and Metis Friendship Centres had their funding cut; and the Children's Advocate reports that excessive caseloads and inadequate resources for workers mean some children are forced to stay in abusive homes.

We fear that the shackling of government's hands through balanced budget legislation such as Bill 2 means this unacceptable trend will continue and indeed will probably worsen.

The introduction of Bill 2 by the government of Manitoba implies both a debt of crisis proportions and the need to pay it off over a short period of time. Neither analysis is correct.

It is fair to say that it is better to have no debt than a lot of debt, but to characterize the current government debt situation as a crisis that must be dealt with immediately and totally is to support the political agenda of those who want to eliminate the role of government in the economy and to turn the citizens of Manitoba over to an unaccountable and antidemocratic corporate elite. Accumulated debt through deficit budgeting is not an overnight phenomenon, nor should its retirement be. Simply stated, it took years to accumulate public debt in Manitoba and paying it off should not be attempted over the short term envisioned by Bill 2.

Broadly speaking, balanced budget legislation is an inappropriate limitation on the ability of a government to deal with the peaks and valleys of the business cycle and with unforeseen crises that may confront society. It may well be that a budget deficit is required to revitalize our economy during periods of recession or to undertake a project that the private sector cannot or will not do. In fact, much of the history of Manitoba is indicative of this kind of public enterprise initiative. Where would Manitoba be today without the government-financed railway expansion earlier this century? Where would it be without Manitoba Hydro, without the Manitoba Telephone System, and without the many hospitals and schools that private enterprise has no interest in?

Bill 2 is flawed in a number of respects. The bill wrongly includes both current and capital spending in its definition of expenditure. Treating capital spending in this fashion fails to recognize that such an expenditure produces an asset that should be listed on the balance sheet. It is an investment. It produces benefits in the short term through job creation and benefits in the long term by being part of the economic infrastructure. Capital spending must be viewed on a long-term context and paid for over an appropriately lengthy term.

An expanding business does not pay cash for its capital works projects, nor does it attempt to retire any debt associated with it over a one- or two-year period. Similarly, individuals rarely, if ever, purchase a car or a house with these rules in place. Limiting capital spending in the way outlined in Bill 2 is bound to produce one of two results. Either needed capital works will go unaddressed—a situation that is unthinkable in any dynamic economy that is interested in job creation—or vital current spending will be cut in order to bring about the desired balance, killing jobs and important services along the way.

This last option is exactly what the people of Manitoba cannot afford, particularly at a time when economic policies implemented by both senior levels of government and the business sector have created thousands of victims who are in desperate need of the very services supported by current spending. Insofar as needed public works is concerned, it is unlikely that

major public capital works projects such as the construction of flood control structures like the Winnipeg Floodway could have proceeded if the government of the day had been handcuffed by a law such as Bill 2. How many schools and hospitals would have been constructed had Bill 2 been enacted 40 years ago?

* (1930)

We are also concerned about the impact of Section 2 of the act, the requirement that government not incur a deficit on a yearly basis or in exceptional circumstances the requirement to balance the deficit over a two-year period. Such a tight cycle virtually eliminates any hope of the government being able to intervene in the economy in a meaningful and effective way. Economic cycles simply do not operate over such a brief period. Similarly, the exceptions contained in Bill 2, the circumstances under which a deficit would be allowed without penalties being levied on cabinet ministers, are too restrictive.

A single year of a 5 percent or more reduction in government revenue requires crisis conditions to exist before a government can take action. This means that a government cannot take preventive measures to head off a crisis before its effects become too severe on its citizens. Instead, it must wait until hardship is firmly rooted in many people's lives. The people of Manitoba deserve more than this "lock the barn door after the horse is gone" approach to public policy.

The Fiscal Stabilization Fund and the Debt Retirement Fund referenced in Section 8 are simply not viable in the context of maintaining vital services for people in need. The budget surplus that needs to exist for contributions to be made to the DRF in fiscal 1997-98 without further deterioration of government services likely will not exist in light of anticipated federal government transfer cuts.

The FSF is to cushion future revenue fluctuations. However, in order to be effective, nongovernment analysis estimates that contributions to the FSF would need to be in the order of 13 percent of total spending or \$702 million in 1995 dollars. The contributions to these funds required by Bill 2 will require draconian

current spending cuts that will exacerbate the job destruction—government revenue loss cycle.

While Bill 2 does not make specific reference to Crown corporations, it is silent on the fate of revenue derived by their sale. It is not acceptable that a government desperate to avoid a budget deficit may be allowed to sell off valuable public assets in order to use the revenue from such a sale to comply with Bill 2. In fact, such a practice appears to offend institutions such as the Dominion Bond Rating Service, which criticized this government for using revenues from the sale of McKenzie Seeds as current revenue in its last budget. Inclusion of revenue from the sale of Crown corporations in the current operating budget should not be permitted.

Insofar as the use of referenda to determine changes to personal income tax, corporate income tax, retail sales tax and the health and post-secondary education tax levy is concerned, we are opposed. Presumably, making taxation decisions that reflect the well-being of all Manitobans is the reason why we go to the expense of electing governments that are responsible to the people. A referendum to test the will of the people on a specific matter where it is reasonable to assume that voters have all the relevant information is sometimes well advised. However, it is not a particularly useful tool for making budgetary decisions.

Deciding to raise or lower taxes must be made in the context of a broad economic and social strategy. Communicating this strategy in an effective manner each time a taxation change is felt necessary is neither effective nor is it likely to produce positive results. Simply put, people are generally predisposed to voting no to any tax change no matter how critically needed or fair a proposed tax increase may be.

The implications of this approach to public policy are apparent when one reviews the impact of California's Proposition 13, a taxation relief measure voted on in June of 1978. It limited the ability of government to finance education and other important public services through the taxation of business, industry and privately owned property. Proposition 13 contributed greatly to a crisis in the delivery of essential public services such as education, a crisis that continues to this day. From

the California experience it would appear that people tend to vote with the short-term objective of reducing or eliminating taxes without fully considering the delayed impacts of this decision on the delivery of important programs such as public education.

Another reality in the California experience is that the supporters of a particular side who have the most money will almost always win the day. Economic policy that is determined by the largest advertising budget is antidemocratic and subversive to the responsible government process.

On the appropriateness of referenda we need look no further than the clear statement made by none other than Premier Gary Filmon while addressing the possibility of a referendum on the Winnipeg Jets arena issue. He was commenting on why people elect governments. Quote from Premier Filmon: They elect people to make judgments on their behalf, judgments that are ultimately in the best interest of the province and its future. We are in office with a mandate to exercise our judgment and to make decisions on a whole range of issues under new and changing circumstances.

One wonders what has so obviously changed the Premier's thinking on this subject in so short a period of time.

If we are unable to convince this committee to let this bill die on the Order Paper, we urge you to at least adopt amendments to Bill 2 that will address the concerns we have outlined.

Before closing, we would like to make one last observation. Too often proponents of legislation such as balanced budget legislation also champion the view that government must be operated like a business, that citizens must be treated like clients. The reality is that governing a province is not like running a business. Business seeks to maximize profit through offering for sale goods and services that consumers need or have been convinced they need. However, governing a province means putting people first, not profits. It means ensuring that people have access to a universal, high quality health care system, a high quality education system, a strong social safety net for people

in need and that people are treated in a just and fair manner.

Governing a province means doing just that, governing. Not dodging responsibility for making key economic and social policy decisions by having a government deliberately tie its own hands behind its back and then declaring that there is nothing it can do to address emerging economic and social problems.

Residents of Manitoba are not government clients. They are citizens who have rights. Clients are people who shop at a business and have the option of going elsewhere for services or goods. Citizens have one provincial government, the only one they can rely on for justice and fairness. They expect the government to be accountable to them. It is their provincial government, not some external agency that is marketing goods and services for their consumption.

It is key that government debt be addressed over an appropriate period of time that reflects the needs of people and the health of the economy. A blind, headlong rush to dispose of the public debt through a short-term strategy that rules out and punishes deficit financing is not good government. It is pandering to the hysteria about government expenditures created by corporations and wealthy individuals who do not wish to be held accountable to the communities in which they live and operate.

In conclusion, we wish to reiterate that provincial government budgets need to clearly state to the citizens of Manitoba what the economic and social policies of the current government are, not just the fiscal policies. It needs to state what the impact of the budget is on important economic and social objectives in addition to setting fiscal targets. It should also set targets in these areas such as a reduced unemployment rate, such as an improved youth employment rate, such as a reduced level of poverty, particularly for seniors and children.

Provincial government budgets should be all inclusive statements about the kind of society we want to live in. They are not merely bean counting exercises for back-room accountants and political strategists. If that is all they were, Manitoba would not have developed economically to the point that it has. If

future provincial governments are reduced exclusively to the role of bean counting, then we will be faced with a very limited future characterized by a deteriorating standard of living.

I would like to thank the committee for giving us the opportunity to present our views.

Mr. Chairperson: Thank you very much, Mr. Hilliard. Do any members of the committee have any questions of Mr. Hilliard about his presentation?

Mr. Ashton: I just want to focus on the comments in terms of Crown corporations. Your suggestion is that the committee look at amending the bill, short of defeating it which obviously is the position of some of us on the committee, that would prevent the ability of governments to essentially hold fire sales of Crown corporations and dump those funds coming from that sale into a current year's revenue.

I am just wondering if you could clarify that, and also you made reference to McKenzie Seeds as well, if you could give some further information to the committee in terms of the background of that particular incident.

* (1940)

Mr. Hilliard: In the last provincial budget, the government included in its revenues of the day the sale of McKenzie Seeds and it used that revenue to what it called balance its books. That practice has not been well received by the bond rating agencies and in fact it is not considered good accounting practice. I also think it is a bad practice to sell off the family farm in order to meet current expenditure needs. It is just a bad way of going about things.

Mr. Ashton: I appreciate your comments because certainly this is a concern that we have raised and we have raised in other context in the same room in terms of hearings in terms of Crown corporations.

Just one final question, as well, too. Just in reading the presentation, I take it that essentially Manitoba Federation of Labour is arguing for a more flexible and cyclical approach to budgeting at the provincial level. I was wondering if you would perhaps expand on that,

because I know you referenced it a few times throughout the brief. You referenced some of the difficulties with the current bill which attempts to tie the fiscal process into a one-year cycle that you have to balance each year. I am wondering what the concern is of the Manitoba Federation of Labour with the approach in Bill 2 that essentially does that.

Mr. Hilliard: The business cycle that is characterized by a capitalist economy goes in cycles. It goes in boom-and-bust cycles, and usually those cycles, over a length of time, are something like seven to nine years. The difficulty with requiring an annualized balanced budget is that it does not accommodate the business cycle in anyway whatsoever. I think it does make sense for a government to take a look at its expenditures and its revenues over a period of time, roughly equivalent to the business cycle, and say over that period of time that our revenues and expenditures should be approximately equal.

However, by requiring it on an annualized basis, it forces the provincial government of the day to balance the budget when in fact it may make sense if we are in a boom economy, for example. It may make sense that we should have a surplus which would help pay down the debt.

Conversely, it may make sense if the business cycle is in a downturn. It would make sense to stimulate the economy with some provincial government intervention or, as well, to offset the effect of people who are sometimes thrown out of work during a downturn. That keeps money going in the economy. Those people who are in need of that kind of government assistance spend almost all of it, so it is circulated in the economy and it is beneficial for the economy.

In other words, what I am really saying is that government ought to take a look at balancing its books over a period of time roughly equivalent to the business cycle, not on an annualized basis.

Mr. Leonard Evans: Mr. Chairman, I would like to ask Mr. Hilliard just a couple of questions. Reference was made to, that there is not necessarily a debt crisis today, or words to that effect, say, compared to the time

that this government took over. I do note, looking at the budget document of Manitoba, that the per capita debt has certainly gone up. In fact, since this government has been elected, the debt has gone up by a third, roughly.

We have had a deficit in every year except one, according to the Dominion Bond Rating Service, and that was in 1988, thanks to a number of factors including certain policies of the previous government. So there is no question that the debt has gone up per capita-wise. But are you not therefore referring to—I trust what you are doing is referring to the debt in relation to our gross domestic product or our ability to earn income, because I do note that in 1986-87 we were at 25.1 percent of the GDP for net general purpose debt, and by 1995-96 we are still at 25.9 percent, so virtually no change. Is this what you are referring to?

Mr. Hilliard: Yes, it is. In fact, I was referencing a statement by the Minister of Finance (Mr. Stefanson) during his last budget when he noted that in fact the ratio of public debt to the GDP was approximately stable over the last 10 years, so that is the source of that comment.

Mr. Leonard Evans: I was referring to the net general purpose debt. We could also talk about the total net debt, which, of course, includes the Crowns—in fact, all debt. There, again, I noted it was 51.2 percent in 1986-87; by 1995-96, it was 51.8 percent—so again virtually no change.

Mr. Hilliard: Yes, that is really what I am referring to. The fact of the matter is that the provincial government debt relative to these other indices has remained relatively stable over the last 10 years. In fact, if a crisis exists now, it existed 10 years ago, it existed five years ago and existed during the last two terms of government. It seems that the government did not deem it to be a crisis during those periods of time, so I am not sure why it is now.

Mr. Leonard Evans: Also, I would like to ask Mr. Hilliard if he or the MFL has looked at the other dimension of debt, that is, the expenditure on the interest on the public debt. In other words, of the total spending that a government does, that this government

does each year, have you looked at what percentage of the spending has gone towards the interest on the debt? More precisely, I would like to know if you have any comment on how we compare to some of the other provinces in that respect.

Mr. Hilliard: I am sorry, Mr. Evans, I do not have information at my fingertips, although certainly we will note that there is an ever-increasing proportion of public debt that goes towards interest payments but acknowledge the fact that those are due to policies set at the federal level, at the Bank of Canada, but we would disagree with some of the high-rate interest policies that have been put in place in recent years that have contributed to that phenomenon.

Mr. Leonard Evans: Well, just again, I might add that according to the budget document, there has been very little change. We paid around 11 cents on the dollar back in 1986-87, and now we are paying 12 or 13 cents on the dollar. As I understand it, Manitoba does not do too badly in comparing itself with other provinces. We are among the lowest in terms of the amount of money we spend on interest on the debt of our total spending. In other words, of the dollar that we spend in total expenditures, 12 cents, 13 cents on the dollar, I think, ranks Manitoba the third best in the country, so, relatively speaking, I would suggest that we do not have a crisis. Does Mr. Hilliard agree with that?

Mr. Hilliard: Yes, I do agree with it, but the gist of our comments is that there appears nothing to be substantially different over the last 10 to 12 years or so in provincial government debt relative to all other indices to warrant this kind of drastic action, and I guess that is the gist of our comment. Crisis? Where is the crisis? It is a concern that needs to be dealt with, but crisis it is not.

Mr. Leonard Evans: I wondered if Mr. Hilliard had any thought on the fact that what this legislation purports to do is to put future legislators and citizens of Manitoba, 10, 20, 30 years from now in a straitjacket. In other words, what we are doing in this legislation—and I would like you to comment on this if you would—what this legislation purports to do is to set out a debt repayment schedule that is binding on citizens 10, 20,

30 years from now. To that extent my observation that it is undemocratic and not in keeping with our traditional parliamentary system where governments should make a decision year by year on their budget questions, depending on the economy, their overall financial situation, as opposed to what is being proposed here is a rigid repayment schedule that is binding on future citizens. To that extent it is undemocratic, and I wondered whether Mr. Hilliard had any thoughts on that or whether he disagreed with that.

Mr. Hilliard: I do agree with that sentiment, and actually I probably would take it a step further. I think it is . . . in fact is designed to prevent It is deliberately tying the hands of the government; it is not allowing you to act. In turning over the economy completely to nonelected players, strong players in the marketplace, who are not accountable So I am going to take it a step further. I would say that

* (1950)

Mr. Kevin Lamoureux (Inkster): Mr. Chairperson, my apologies for attending somewhat late. I was with my Justice committee dealing with other matters, so my apologies for not necessarily listening to the full presentation. I did get a copy of it. What I am interested in knowing from the MFL in particular is the concept of balanced budget legislation. There are many different forms—in Saskatchewan, New Brunswick, and now in the province of Manitoba. It would appear, at least on the surface, that in fact it will ultimately become law. What is the MFL's position on the concept of balanced budget legislation? We, too, have pointed out a number of areas in this particular piece of legislation where there are problems, but the concept is something which we do feel the public as a whole is wanting to see.

Mr. Chairperson: Mr. Hilliard, before you proceed with this answer, I would advise the meeting that apparently the technician is advising us that he is having trouble with transmission from your microphone. Could you please respond to this question in a loud voice so that the other microphones will pick it up? We then will have a brief recess in order to do

the necessary technical changes. Thank you, Mr. Hilliard. If you could proceed in that fashion I would appreciate that.

Mr. Hilliard: Yes, I will. Thank you very much. What was the question?

Mr. Chairperson: I am advised that you are coming through loud and clear now.

Mr. Hilliard: Oh, about the concept of balanced budget legislation. I would say that philosophically we are opposed to the concept of balanced budget legislation. That does not necessarily mean we are opposed to balancing the governments books over a suitable period of time, but we feel that the government is elected to govern in a lot of different ways. You have to be sensitive to all kinds of things that are going on. You have to be able to react and adjust to all kinds of things that are going on. To tie the government's hands with a particular piece of legislation that forces them to act in a way that may not be socially or economically responsible is not a good idea.

A government should be flexible enough to meet all of these needs and demands in society without tying its hands to act in a certain way at a certain time. It needs, of course, to be fiscally responsible, and we are not suggesting that a government not be fiscally responsible. It must also be economically and socially responsible in addition to being fiscally responsible, and if it is to do that, it cannot tie its hands by focusing solely on a fiscal requirement. I would suggest to you that we are opposed to balanced budget legislation as a concept. We are not opposed to balancing the government's books over an appropriate period of time.

Mr. Lamoureux: The MFL carries some considerable amount of credibility when it comes before the Legislature, and I know I have had ample opportunities to hear the MFL make presentation. What I am curious about is—the concept of balanced budget legislation, is this something that would have taken the form of a resolution at an annual meeting? How does the executive come up with this particular position on it?

Mr. Hilliard: Well, actually, Mr. Lamoureux, your question is quite timely. We have just come through

our biennial convention at the end of September, and, in fact, in that four-day convention, we devoted one half-day of our agenda to the concept of balanced budget legislation.

We brought up expertise from the AFL-CIO in Washington. We brought in economists; we brought in speakers from anti-poverty organizations; we brought in speakers who have experience with balanced budget legislation in other jurisdictions. This issue, more than any other issue at our convention, received the highest prominence. It was widely debated; it was widely commented on.

It was resolutions passed and it was absolutely solidly endorsed by almost 700 delegates at our convention that we are adamantly opposed to this piece of legislation in particular but also opposed to the concept of balanced budget legislation.

It was a process of our biennial convention and most recently so.

Mr. Lamoureux: No doubt it would have been an interesting process to have participated in, and I speak for myself personally, in the future on resolutions of this nature, I would definitely be interested in hearing some of those more detailed arguments. I understand at the beginning of the committee that it was decided 20 minutes per presentation, so we cannot necessarily get into all the detailed discussions that I would like to be able to get into. But I will read very carefully through your presentation and appreciate MFL once again coming before a committee and making a presentation. Thank you.

Mr. Chairperson: Are there any other questions? Thank you very much, Mr. Hilliard, for your presentation to this evening. Much appreciated.

I would like to inform the committee that we have now received a submission from Victor Olson, who is unable to make it to the hearing tonight. The Page will distribute copies of the submission. Is it the will of the committee that the submission is to be printed in the committee meeting on the Hansard script at the termination of the proceedings? [agreed]

The next presenter I would like to call forward at this time is Diane Beresford, presenter No. 12. Ms. Beresford, are you present? I believe the usher is calling in the hall. No answer. Fine. We will put Ms. Beresford's name to the bottom of the list then.

The next presenter I would call in order on the sequence of the list would be Peter Sim, on behalf of the Manitoba Association for Rights and Liberties. The usher is calling for Mr. Sim in the hall. Mr. Sim does not respond to his summons; his name will fall to the bottom of the list.

The next person to be called would be Rick Wiend, on behalf of CUPE Local 500. Mr. Wiend, would you please proceed. You have a written presentation which you will be circulating to the committee this evening? Thank you.

Mr. Rick Wiend (CUPE Local 500): On behalf of CUPE Local 500, I would like to thank you for the opportunity to present this brief before this committee. CUPE Local 500 represents 6,000 public-sector employees at the City of Winnipeg, the Winnipeg Convention Centre, the St. Boniface Museum, Highlander Sportsplex, Riverview Health Centre, and the Winnipeg Humane Society.

The proper management of government finances is an important task which public employees have a huge stake in. Bill 2 represents for us much more of a political agenda than an economic one. We believe a strong public sector with comprehensive services is necessary and complementary to a strong private-sector economy. We believe Bill 2 will hurt public services and, in turn, will impair our ability to create a strong private economy.

This submission analyzes Bill 2 and compares it to Bill 62 from Saskatchewan. In addition, legislative and public democracy trends throughout the world are reviewed, along with proposals for a sound government deficit management policy.

Our presentation consists of five parts and a conclusion. I am going to just summarize the salient points of each part and go over the conclusion with you.

The first part consists of a critique of Bill 2 and some comparisons with the comparable legislation from Saskatchewan, Bill 62. The definition of an expenditure, Section 1, includes both current and capital spending. The inclusion of capital spending in Manitoba's legislation ensures either limited capital spending or continued pressure to reduce current budget expenditures to pay for capital projects or a combination of both.

The second point in the critique is the requirement for a balanced budget.

Section 2 of the act requires the government not to incur deficit on a yearly basis or in exceptional circumstances to balance over a two-year period. I am just attempting to summarize these points. You have the submission in full and you can read it at your leisure.

* (2000)

The Saskatchewan legislation is based on a four-year financial plan and debt-management plan, Sections 3 and 4 of Saskatchewan's Bill 62.

The third point in the critique is the exceptions. Bill 2 lists three fairly narrow exceptions for which a deficit could be incurred without contravening the act: (a) a serious disaster; (b) Canada is at war, or (c) a single-year reduction in revenue of 5 percent or more, about \$270 million in 1995 dollars.

Saskatchewan's legislation, which is based on a four-year balancing plan, contains a far more general and preferable, we feel, exception clause. Section 4(2): if a major unanticipated identifiable event or set of circumstances has had a dramatic impact on revenues in a fiscal year. That section goes on to detail that the bill will not be breached by adding to these circumstances, i.e., incurring a deficit.

The fourth point, the Debt Retirement Fund, Section 8. This legislation requires financing of both the Fiscal Stabilization Fund, FSF, and the Debt Retirement Fund, DRF. To finance the FSF and the DRF targets—that is in Section 8, subsection 4—would have required previous surpluses. These do not exist, and this fact

along with the expected federal cuts means that substantial expenditure cuts will be required to meet the bill's DRF targets even in 1997 or '98.

The fifth point in the critique: a referendum is required for tax changes, Section 10, Taxpayer Protection. The bill requires a referendum vote to change the following taxes: (a) The Health and Post Secondary Education Tax Levy Act, payroll tax; (b) The Income Tax Act; (c) The Retail Sales Act; d) Part I of The Revenue Act.

Another salient point is that the legislation leaves it open to the province to broaden the sales tax or reduce property tax credits to bolster revenues without having to resort to a referendum. Both moves are likely to occur in the future.

The sixth point is the Crown corporations. The bill does not specifically mention Crown corporations or the fact of possible sale. Unlike the Saskatchewan legislation, there is no prohibition on including revenue from the sale of a Crown corporation into the current operating budget.

The previous submission dealt with the McKenzie Seeds operation, and I will not go into that again.

The second section of the brief focuses on referendums. That is on page 6. Advocates of referendums see them as a form of direct democracy in which the will of the people is measured. By bringing people directly into the decision-making process, they are seen as a means of diluting the influence of special-interest groups in government and of constraining politicians in whom the public is losing confidence.

Later, on the same page, we make a point: The case against the use of referendums is that they oversimplify issues and lead to decisions being arrived at without appropriate consideration of the complexity of the matters involved. Complex questions are reduced to yes or no answers.

On page 7, we go on to say—previous on page 7 and continuing on page 6, we list historically where referendums have been used throughout the province, and the federal government and the use of plebiscites.

In conclusion, we say, there is, therefore, no history of using referendums to decide detailed questions of budget content which have been left to the discretion of elected representatives. While balanced budget legislation has been introduced in three other provinces, no other provincial government has sought to limit its discretion by requiring referendums be held on issues of fiscal detail.

Referendums are not well suited for decisions on budget matters generally but especially not when limited to increases in taxation. The need for such increases needs to be justified in the broader context of the general economic and social policies for which the government was elected and of the overall budgetary situation that the government faces. This cannot be readily captured in a simple yes-or-no question.

Page 8, we go on to again summarize Premier Filmon's description of the use of referendums and his critique of it. I will not read it out to you. It is printed there; the source is Hansard. You are probably familiar with it by now.

Section 3, we go on to list Balancing Budgets-Other Trends, and we look at the federal government. Although the 1995 federal budget and Bill C-76 represent the major fiscal cutback which will be felt by all junior levels of government in Canada, the federal government does not yet have a formal balanced budget legislation in place.

Finance Minister Paul Martin says, such laws are not the way to go. Apart from limiting the choices of duly elected governments, this legalistic approach simply encourages ingenious politicians and bureaucrats to spend time looking for ways to get around the rules through accounting hocus-pocus and subterfuges of various kinds.

The federal government recently came under criticism from its own Auditor-General for focusing too much on its annual deficit as opposed to its overall level of debt. See Appendix 2, and we include a report from the Auditor published in The Globe and Mail.

Another observation on our national finances as a whole is that they cannot be viewed simply from the

perspective of expenditure reduction proposals. Matters such as revenue structure and taxation policy must be examined as well. In Appendix 3, we reference another article from *The Globe and Mail*, I believe again written by Dalton Camp, critiquing this issue.

The second point in other options is the Maastricht Treaty. The European Monetary Union, to take effect among all EU nations by January 1, 1999, stipulates that member countries should achieve fiscal deficits of 3 percent of GDP by 1999 and debt ratios under 60 percent of GDP by 2002. This approach to managing finances by way of setting percentages of GDP recognizes the legitimacy of some form of deficit/debt level such as exists in the private sector as well.

Further on page 10, we look at the example in Australia, the State of New South Wales. Pending legislation before the New South Wales State Parliament is entitled *General Government Debt Elimination*. This legislation does not contain provision for referendums on tax increases, rather tax restraint is dealt with as follows: Fiscal principle No. 7 is that the level of taxes should be restrained to the maximum possible extent and policies should be pursued that are consistent with a reasonable degree of predictability about the level and stability of tax rates for the future years.

Page 11, we look at the example of New Zealand, which has been touted as an economic model to be followed by some. New Zealand's *Fiscal Responsibility Act of 1994* requires balancing of the country's operating budget until debt is reduced to prudent levels.

A prudent level of debt is not defined, but New Zealand's debt-to-GDP ratio was 43 percent in 1993 with the government predicting a decline to 38 percent this year. Once a prudent level is reached, the budget must be kept in balance on average over a reasonable length of time, making it more like Saskatchewan's legislation than Manitoba's.

In the United States, Part 5, page 11, we look at the State of California's Proposition 13. Balanced budget legislation has emerged in the U.S. over the same

period in which most American wealth has been increasingly housed in a shrinking percentage of the public's hands. Decreased levels of overall economic growth have led to increased deficits and in turn to higher debt levels. This has fuelled the impetus for a right-driven tax revolt atmosphere throughout the country.

On page 13, Section 4, we examine another possible option, *Public Input - Citizen Juries*. Various countries have utilized a variety of citizen jury models to improve public input into both political debate and the making of legislation. While political opinion polls and referendums are commonly touted as indicators of public views, they provide little in the way of direct citizen input into decision making. They are at best illusionary forms of heightened democracy.

I will not go on to read the whole page to you, but Appendix 4 at the back of our presentation lists a number of articles which give examples of the use of these citizen juries which might prove useful in our system.

The fifth and last section refers to *A Sound Government Debt/Deficit Policy*. That is on page 14. The stabilization function of budgets is important because private-sector spending is notoriously unstable, and if left to its own devices, a pure capitalist economy suffers from pronounced booms and slumps. Governments can reduce these cyclical fluctuations by running budget surpluses during booms and allowing deficits to occur during slumps.

* (2010)

Governments have a responsibility in our economic system for providing the physical and human infrastructure without which the private sector would not be able to function and without which there would be no long-term growth. Since these expenditures are of a capital nature in that the items they are spent on have a lifespan of greater than one year, it is perfectly appropriate, in principle and subject to fiscal guidelines to be suggested below, for a government to borrow money and capital markets to finance them. After all, private companies and individuals do not normally purchase their factories, buildings or houses out of

current income; they borrow for that purpose and service the debt out of current income. The assets purchased usually serve as security for the debt.

Page 15: The economic equity and social aspects of budgeting should be achieved within the framework of a number of fiscal principles to which the government should adhere. These might be as follows, and I will summarize them briefly for you:

(a) There should be consistency in the accounting for different items of revenue and expenditure from one year to the next.

(b) Any contributions to or drawings from special funds which can have an impact on the budget either immediately or at some time in the future, such as rainy-day funds or lottery reserves, should be specified clearly in the annual financial statements of government.

(c) In normal circumstances, the operating budget of the provincial government should be balanced or in a surplus, i.e., tax and other revenues should be equal or exceed recurrent spending, operating transfers to individuals and institutions and interest payments on debt.

(d) The capital budget may be financed in whole or in part from surpluses on the operating budget.

(e) Government borrowing can be important, therefore, in financing long-term growth and in helping stabilize the economy, and, from this perspective, it is socially beneficial.

(f) Over the economic cycle, normal operating revenues and expenditures should not exceed 20 percent of provincial GDP, and preferably this ratio should decline over time provided social and distributional objectives can still be met. This limit might need to be changed over time to meet major constitutional or program changes which have the approval of the electorate.

(g) Where changes in revenue or expenditure at the provincial level have the effect of significantly changing net revenues to lower levels of government,

such as municipalities or semiautonomous agencies such as school boards or universities, this should be specified clearly in the budget. This would not stop offloading of fiscal problems by the province, but it would make it more transparent and better enable the electorate to evaluate it.

(h) Responsible budgeting requires the province to calculate the value of its fixed assets so that a true picture of the province's net worth situation can be found.

Responsible budgeting recognizes the several different roles played by the budget and avoids the use of simplistic restrictions which prevent governments from using budgets to achieve broader economic and social goals. These would include stabilizing the economy, reducing unemployment and encouraging growth, and protecting and enhancing the quality of services in health, education and other fields of social policy. At the same time, responsible budgeting would also provide fiscal guidelines within which these broader dimensions of budgeting would have to operate. These guidelines would address any concerns the electorate might have about tax and debt burdens becoming unbearable and need not be enshrined in the law.

In conclusion, for the foregoing reasons, CUPE Local 500 opposes Bill 2. While we favour responsible management of all public funds and the provision of comprehensive, universally accessible social programs, we are not alone in criticizing Bill 2.

I will quote from the Free Press: "The bill is full of stupidities." "Fiscal prudence is important So too is the capacity to govern with flexibility and creativity. . . . The bill should be withdrawn." Winnipeg Free Press editorial, Saturday, September 23, 1995.

The second quote: "The Filmon government's fiscal games never really fooled anybody. . . ." Would not clever politicians have figured out that it was better to come clean in the budget than to have been found out in the middle of an election campaign? Winnipeg Free Press editorial, April 7, 1995. Both editorials appear as Appendix 1.

On the international level, as mentioned, many companies are wrestling with debt deficit problems and enacting various forms of balanced budget legislation. The International Monetary Fund has recently commented on this trend. The costs of a balanced budget law are the loss of fiscal stabilization over the cycle and the loss of flexibility in reacting to shocks on expenditures of revenue. The unenforceability of a balanced budget law is also a complex question. Any law can be changed by a sovereign.

Bill 21 does not chart a course for responsible management of government funds and for the provision of government service obligations. This is a shallow and regressive piece of legislation which ought to be withdrawn. Thank you for your time.

Mr. Chairperson: Thank you very much, sir. We thank you for your presentation. Are there any questions?

Mr. Leonard Evans: Mr. Chairman, I thank the presenter for a very informative presentation. It has a lot of very useful data, and I appreciate the comparisons with some other jurisdictions and the information from some international agencies.

I wonder, you made reference on page 12 to the fact that there is such a concept as national wealth. We are always talking about the national or provincial debt. We have got figures in budgets and other government documents estimating debts, but we never seem to want to talk about our assets.

I would maintain the people of Manitoba have billions, that surely we have billions of dollars worth of debts, but we have billions and billions of dollars worth of assets, assets by way of schools, hospitals, highways, bridges, you name it.

I was wondering whether CUPE had done any research into the amount of assets that we have in the province of Manitoba.

Mr. Wiend: To my knowledge they have not, or I am not aware of the research that has been done. But I will certainly make note of that. Our research department is more than up to the task, I am sure.

Mr. Leonard Evans: I notice your reference to the Washington-based Economic Policy Institute noting the amount of debt, but then going on to say that there was the national wealth. They made an estimate of the national wealth being \$196,000 per person in the United States, well in excess of per capita debt in that country.

Another question arises out of your analysis of budgeting. So, in a nutshell, CUPE is saying they are not against balancing a budget, but you have concerns about balancing the budget in a specific year? Is that correct?

Mr. Wiend: I believe that would be accurate, yes.

Mr. Leonard Evans: In other words, perhaps we should learn something from the Great Depression and maybe from the writings of John Maynard Keynes. The ideal way to balance a budget is over a business cycle. I mean, at some point we have to pay for our debts, but to do it over a business cycle rather than a year, what is so magical about a year, I would ask? Why not every quarter or every month? How about every day?

Mr. Wiend: I would submit that to try and cure the budget problems over the course of a year would be somewhat draconian and unrealistic. I would tend to agree with you that the business cycle over which we can mitigate should be mitigated by use of fiscal and monetary policies.

Mr. Leonard Evans: Have the CUPE research people looked at the debt repayment schedule as outlined in the budget document of 1995 where the government purports to bring it down to zero in 31 years?

Mr. Wiend: I do not know if they have or not.

Mr. Leonard Evans: I am simply going to ask—it does not include unfunded liabilities, and the Auditor, I believe, has some concern over the fact that unfunded liabilities are not included in the schedule. I just was going to ask the presenter if he had any comment on that, but perhaps he does not because of the fact that that has not been looked into.

Mr. Wiend: You are correct in that assumption.

* (2020)

Mr. Tim Sale (Crescentwood): I want to say to the presenter, I really appreciated a very thorough brief, and I appreciated, in particular, the references to other nations and to one of what I think all members of the House would agree is one of the most conservative organizations in the world, the International Monetary Fund, commenting that balanced budget legislation is inappropriate. I think that is a very powerful warning to us all.

I want to ask, on page 17 of your brief, Mr. Wiend, you make a kind of prescriptive suggestion that in broad terms, over the cycle, operating revenues and expenditures should not exceed 20 percent of provincial GDP.

I am struck in your brief by that because, looking over the 10 most recent years, it has hovered right in that range, occasionally exceeding it, but most often being under it. I know you do not have the figures in front of you, but the highest it ever reached was 21 percent in 1988-89. The lowest was 18.4 percent in 1986-87. It is currently at 19.5, and in the past four years it has been at some range between 19.4 and 19.9.

Again, I think, as the previous brief pointed out and your brief points out, an extremely stable picture, hardly a crisis, and I wonder if you have any comments on that.

Mr. Wiend: Yes, we tend to agree that the budget deficit hysteria is somewhat overblown, and our figure of 20 percent in relation to what has actually happened in the economic performance of the province tends to bear that out.

We basically see this bill as an oversimplification of a problem that is simply that. It is a problem and it is not a crisis, to echo the previous speaker.

Mr. Lamoureux: Mr. Wiend, on several occasions inside the brief and you have actually commented on it, you quite often make reference to the business cycle. You also make reference to the booms and busts of an

economy, and I do not think I would question any of that logic. In fact, I think that is a very valid concern, and, in fact, Saskatchewan has legislation, as you have pointed out, that takes that into consideration.

I guess to a certain degree there is an argument that could be made that, no, the province of Manitoba is not in a crisis situation in terms of a deficit, but I think to a certain degree an argument could be made that the public as a whole could, in all likelihood support the concept of balanced budget legislation.

You point out some of the problems that are in Bill 2, but you also make reference to Saskatchewan's bill on several occasions. I am wondering if it is not possible to take into consideration the types of things that you have talked about and also to take into consideration that what many believe the public wants to hear from government is concern, an expressed concern. If you take into consideration your concerns as pointed out here and that can be taken into account in balanced budget legislation—Saskatchewan has gone a long way in taking that into account—would you then not agree that the concept, if put into place properly, is acceptable?

Mr. Wiend: I think that is, in part, our point and the point that was made in the last submission as well. If this bill cannot be defeated outright, I would certainly support amendments that could be made to it in the form of those we have quoted from the Province of Saskatchewan.

We are not against fiscal responsibility or prudent management. We are not against that at all. What we are for is for a common-sense approach to this deficit problem and not a deficit hysteria, and I think the Saskatchewan model is one that tempers the draconian methods presented in Bill 2.

Mr. Lamoureux: So, if Bill 2 reflected—and I think it was Bill 62 in Saskatchewan? You would be content with that sort of legislation if we were to amend this to that extent, knowing full well that, in all likelihood, it is not going to be amended, of course? The government has not given very much flexibility, but would you support that?

Mr. Wiend: Well, the proof would have to be in the pudding, and we would have to see it before we could make any comment on that. We would hope that there would be some flexibility with the government on this bill.

Hon. Eric Stefanson (Minister of Finance): Mr. Chairman, I just have one question, and it is a reference on page 3 of the brief and it is, I think, an identical reference that was made in the Manitoba Federation of Labour brief and it is the second last paragraph. It says: The Fiscal Stabilization Fund exists to provide a cushion against revenue fluctuations. It is estimated that the Fiscal Stabilization Fund would need to be raised to 13 percent of total spending, i.e., \$702 million would be the requirement in 1995 dollars. I am wondering if you can provide me with the source of that and any details that you might have in terms of arriving at that calculation.

Mr. Wiend: I do not have the source of that with me but will be happy to provide it to you at a later date if that is possible.

Mr. Stefanson: I would appreciate that, the source, and if there are any other details showing the detailed calculation, I would appreciate those as well if they are available.

Mr. Wiend: Certainly.

Mr. David Newman (Riel): Mr. Wiend, I know how some business organizations and some unions increase their membership dues. Generally, how does the union movement increase membership dues? Do they do it through the executive committee or do they go back to the membership to get approval? How does yours do it? Maybe you know that one rather than asking you to speak generally.

Mr. Wiend: Well, ours has not done it for quite a while, and that is as a result of numerous factors. The last time it was attempted— the dues increase is the responsibility of the central council of our local.

Mr. Newman: Is that the general concept used in most union constitutions or in most cases does a general membership have to approve dues increases?

Mr. Wiend: I do not know.

Mr. Chairperson: Any other questions of this presenter? Mr. Wiend, thank you very much, sir, for coming before us tonight and spending the time you have with us.

The next presenter on the list is Gary Russell on behalf of CUPE. Mr. Russell, could you come forward, sir. Thank you. I see some written presentations. Thank you for circulating those. Please proceed, Mr. Russell.

Mr. Gary Russell (CUPE Manitoba): Thank you. I looked at the number of pages we had here and decided this would take about half an hour, so I have highlighted it in order to keep it within 20 minutes. I begin at the first page after the table of contents.

CUPE Manitoba represents over 21,000 public-sector workers in Manitoba. CUPE members work for more than 190 different public-sector employers including municipal governments, school boards, hospitals, nursing homes, child care centres, children's aid societies, public libraries and social service agencies. CUPE, along with many Manitobans, opposes Bill 2, The Balanced Budget, Debt Repayment and Taxpayer Protection Act. This brief outlines our reasons for opposing this legislation.

I skip down to the second paragraph after the introduction: Prudent management of public finances is essential at any time and especially so in the current climate of federal offloading, economic uncertainty and exposure to global financial markets. However, Bill 2 does not propose a responsible approach. Its restrictions on the ability of the government to respond to changes in the economy would weaken the provincial finances and promote cuts to public services. Bill 2 proposes restrictions which are far more stringent than balanced budget legislation in other provinces and in other jurisdictions outside of Canada.

* (2030)

Moving to the bottom paragraph: Responsible management of the public finances requires a recognition of the economic and social consequences of

budget decisions. It also requires making the budgeting process more transparent and open to the public. Instead of tying its hands with Bill 2, the government should retain the powers it needs to stabilize the debt at a more sustainable level. This goal should be complemented by explicit targets for economic and social development, and the impact of fiscal decisions on these targets should be clearly set out in the budget.

Under item 1, Balanced Budget Orthodoxy, on page 2: The government's fanfare surrounding Bill 2 suggests that it will usher in a new era of prosperity and deficit-free government. Quote: We can look forward to the day when our children will be free of public debt.

Freedom from debt will let Manitobans accomplish more than ever before, the Finance minister promised in this year's budget.

Anyone familiar with Manitoba history should be very skeptical of these claims. The provincial economy declined when past governments refused to borrow to make public investments and to offset downturns in the business cycle. Contrary to the current government's claims, freedom from debt diminished Manitobans' standard of living and denied them the opportunities provided by a modern economy and society.

On the bottom of the page, I will introduce it by saying, an early budget of the Duff Roblin administration stated: We have consistently maintained that inadequate capital investment in recent years has handicapped the growth of the province. Parsimony is rarely true economy.

On page 3: The defeat of Campbell's government marked the beginning of a period of modernization during which the Roblin and Schreyer governments made major public investments in education, health, hydro and other capital products. Without these investments, Manitobans would not enjoy the standard of living and access to services which we now take for granted.

These investments did incur a significant provincial government debt. However, it is misleading to consider the province's debt burden without also taking into account the public assets acquired by borrowing.

This point was made most eloquently by Duff Roblin, the Conservative Premier: Who can say what the monetary cost is of not building a road, a school or a hospital?

Must we assume that investment for growth can only be justified when it can be supported by a settlement of profit and loss? Nevertheless, this factor is as real as any reflected in a profit-and-loss statement. All factors must be weighed and indirect benefits offset against the costs.

The current provincial government keeps no comprehensive record of the value of Manitoba's public assets. Its practice of reporting only the public's liabilities, not our assets, does not provide a full picture of the Manitoba fiscal situation.

Moving towards the bottom of the page: Like the present government, the Lyon administration also aspired to reduce taxes by cutting government spending. His government cut civil service jobs, held up capital spending on public hydro and housing projects, and cancelled spending on job creation. Welfare benefits were reduced by over 20 percent during the term of the Lyon government. These measures deepened the downturn of the economic cycle, giving Manitoba the worst economic record of all Canadian provinces in 1979.

Under New Challenges on the following page: Economic integration has made our export sector and the entire provincial economy increasingly volatile. Recent trade agreements have contributed to a greater dependence on U.S. markets. Deregulation of global financial markets has reduced the ability of the Canadian economy to control the international value of our currency.

Strong demand and a weak Canadian dollar contributed to very strong growth in exports to the U.S. in 1994. However, a change in these conditions can bring a dramatic drop in exports, slowing economic growth, causing government revenues to decline.

Skipping a paragraph: This context increases the importance of the provincial government's role in diversifying the Manitoba economy and offsetting

downturns in the business cycle. Federal government offloading also adds to the importance of provincial government measures to support stable economic growth.

The federal government's withdrawal from programs that help stabilize regional economies makes the economic and social role of the Manitoba government all the more crucial. The austerity policies that Bill 2 would impose could have far more disastrous effects than in the Lyon years. More austerity is not the answer. Manitobans learned that lesson during the Depression.

A section we label quite consciously Responsible Budgeting, in the second paragraph, the provincial government should concentrate on keeping Manitoba's debt within sustainable levels while using public resources to facilitate economic growth and support a strong social infrastructure.

The operating budget should normally balance out over the business cycle. Deficit spending is necessary during recessions to offset revenue losses and increased social assistance payments and other costs. These shortfalls in the operating budget should be balanced out by the surpluses generated during periods of growth.

A different principle applies to the capital budget. Capital spending is an investment which should be distinguished from current consumption. The assets acquired by capital spending provide a public benefit throughout their lifespan, which by definition is longer than one year. Standard business accounting practice requires that capital costs be allocated over the productive life of the asset. Just as businesses and individuals borrow to make large investments, it is appropriate for governments to borrow for capital purposes and service the debt out of operating revenue.

I might add just to elaborate on that a little bit, I personally would even go so far as to say that our spending on salaries for teachers to provide education as a social investment and perhaps that part which is now in operating expenditure should be considered part of capital expenditure and not be subject to balancing over the cycle.

Contrary to normal business practice, the Manitoba government treats capital spending as current expenditure. Large capital investments are entered in the budget as if they were an annual expense instead of being amortized over the life of the asset. The sustainable level of public debt should be measured in relation to total provincial income and the cost of borrowing. A large public debt with high annual debt charges can become a drag on the economy. The level of debt becomes unsustainable when, over the economic cycle, debt interest charges grow at a faster annual rate than growth in the economy.

Past performance suggests that Manitoba can support a public debt equivalent to 25 percent of GDP without it slowing growth in the economy. Debt interest payment should not exceed 11 percent of the operating budget. Higher levels begin to crowd out spending on public programs and services. These ratios may fluctuate over the economic cycle but should be stable or falling over the long term.

Based on these indicators, Manitoba's general purpose debt, which excludes self-financing debt such as that of Manitoba Hydro, is slightly above sustainable levels. I will skip over the details.

Instead of tying its hands with Bill 2, the provincial government should exercise all the tools at its disposal to manage the economy and stabilize the debt at a more sustainable level. These tools must include public investments and reasonable revenue measures, including fairer taxes, as well as measures to contain costs and make spending more efficient.

Legislation cannot guarantee that a government will act responsibly. As the next section shows, even the stringent rules in Bill 2 contain loopholes. A better way to increase government accountability to the public is to make the budgeting process more transparent. This includes setting clear targets for economic and social development, as well as fiscal targets. Budgets should provide the information required to monitor the government's performance in relation to these targets. A more detailed discussion of guidelines for responsible budgeting is included in appendix 1.

Section 2 entitled Bill 2: Wrong Goals, Wrong Rules—moving on to page 7: The goals of prohibiting deficits and eliminating the debt are wrong because they are not required to get the debt to a sustainable level and because they will force severe cutbacks in services.

Moreover, Bill 2 sets out the wrong rules to ensure that future governments reach these goals. These rules are wrong because they require moderate income earners and future generations to shoulder the lion's share of the costs of debt reduction.

Further down the page: In failing to distinguish between operating and capital expenditures, Bill 2 will impede future governments from investing in physical and human infrastructure. Without the ability to borrow for capital purposes, governments are likely to let existing public assets deteriorate and neglect to invest in infrastructure for future generations.

Bill 2 will bequeath our children a deteriorating physical and social infrastructure and prevent them from borrowing, as our generations have in the past, to invest in these assets. At the bottom, this rule precludes any effort to use public spending as a counter-cyclical influence to cushion fluctuations in the Manitoba economy. CUPE's preferred policy of balancing the operating budget over the economic cycle would permit counter-cyclical spending.

In fact, Bill 2 virtually guarantees cuts to public programs during a recession because the government will have few other options for reconciling falling revenues with increasing costs for social assistance, social services and other income-sensitive programs. Cuts to public spending will deepen a recession, compounding the cycle of economic hardship and declining government revenues.

* (2040)

The costs of capital projects are usually not evenly distributed over the construction period because there may be large up-front costs or particularly expensive equipment and facility costs in one year. Without the ability to amortize these costs over a longer period, the impact of a single year's budget could be prohibitive.

It is not clear how the government intends to deal with this problem. The government claims that the Fiscal Stabilization Fund will be available to make up for shortfalls in revenue.

In the next paragraph, according to one estimate, annual budget surpluses of about \$200 million would be required in order to finance the fund to this level over a five-year period and make the payments to the debt reduction fund required by Bill 2. I do not have the footnotes in this brief to provide references, but I can provide references at a later date, if you would like.

In four out of the past five years, this government has transferred money from the FSF and from lottery revenue to improve its budget balance. Without a \$145 million transfer from the lottery fund, this year's budget would be headed for a \$97 million deficit. Given this recent performance, the government will have to severely cut spending on programs in order to make the annual contributions needed to build the FSF fund up to an adequate level.

Moving to page 9 and the section called Debt Retirement Fund: CUPE supports a policy of stabilizing the accumulated debt at a sustainable level equivalent to 25 percent of GDP or less. This can be achieved within a reasonable period by balancing the operating budget over the economic cycle, making taxes fairer, and using capital investment to support economic growth.

In contrast to this reasonable approach, Bill 2 requires annual payments into a Debt Retirement Fund. This requirement reflects an orthodox faith in the virtue of zero debt, which at the very least should not be imposed on future governments.

As previously stated, there is a legitimate role for public borrowing for capital purchases. Businesses and individuals borrow in order to purchase assets such as factories, vehicles and houses. They do not normally regard their debt as a dead weight, neither should the government when it borrows to invest in public assets.

As well as imposing the goal of debt elimination on all future governments, Bill 2 sets out a schedule of payments which transfers a lion's share of the cost onto

future generations. In doing so, it violates a responsibility of government to ensure that costs are distributed fairly over time. This responsibility is particularly important because as Lars Osberg has observed, the power relationship is unavoidably unequal: This generation can affect the welfare of future generations by running down the capital stock, or by despoiling the environment, but there is nothing future generations can do to us. There is a reference for this one.

On page 10, the government justifies weighting the cost of debt reduction on future generations by arguing that they will benefit the most from lower debt interest charges. This argument does not allow for changed circumstances which may reduce the savings on interest payments.

A little further down: An equally important weakness of the government's argument is that it neglects the other side of the ledger. Future generations may benefit from reduced interest charges, but they will also bear the cost of our failure to maintain Manitoba's physical and social infrastructure. These costs are very real, regardless of whether they are paid publicly or privately.

One needs only look to the United States for an indication of the price future Manitobans will pay for our government's austerity. Because of their minimal public health insurance system, Americans pay a much larger share of average family incomes for health services than do Canadians. Government's neglect of the social and physical infrastructure has entrenched gross inequality and spawned a culture of violence in the United States. As a result, public and private costs for police, prisons and protection services are far higher than in Canada.

For these reasons, CUPE opposes any legislation which locks future governments into a policy of reducing the debt to zero. Bill 2 is particularly objectionable because it imposes the greatest cost of debt reduction on future generations of Manitobans.

The next section: Bill 2 prohibits the government from raising rates on major taxes without first winning approval in a public referendum.

At the bottom of the page: Experience in American states confirms that the referendum requirement is a formidable obstacle to any future government that proposes to raise taxes no matter how evident the need for increased revenue.

Voters consistently resist tax increases when they are not required to specify what services will have to be cut as a consequence. Evidence from the U.S. suggests that tax referendums have consequences which are not intended by many of the voters who support tax limits.

There are references to California's education system, its decline; the Michigan and Massachusetts decline; greater inequality in the public school system; Oregon's declining spending on higher education; Orange County, California bankruptcy, which is in part a product of Proposition 13, and how the state of California has been forced to bail out that county after their residents, who have the highest average incomes in the States, used California's referendum law to refuse a property tax increase, in other words, to refuse to pay their debts.

This evidence is not included to suggest that the public cannot understand budget issues. Rather the referendum is too crude an instrument for making complex budget decisions. No referendum questions can adequately summarize the various options available and the consequences of each.

I, too, will not repeat the quote from Premier Filmon on the Winnipeg Jets, but I want to emphasize the content of that quote and that it essentially concurs with our position on referendums.

Measures to make the budgeting process more transparent are a much more appropriate way of making the government more accountable to the public. We refer again, as CUPE 500 did, to citizens' juries as one approach. Local governments in Germany and other parts of Europe have incorporated citizen juries into the planning process. We have an appendix 4 which has some description of how the citizens' jury process works.

Proceeding to a little further down the page: Other problems stem from the specific provisions of the tax

referendum requirement in Bill 2. It prevents a government from raising the rates of major taxes, but it does not prevent a government from implementing hidden increases to those taxes or from raising other taxes and fees. These revenue measures would hit middle- and low-income Manitobans the hardest.

Examples of hidden increases permitted by Bill 2 include broadening the base of the sales tax and reducing property tax credits. Both are highly regressive because low-income earners are the most affected. The present government has used both measures as a hidden way of raising tax revenue. Future governments would likely do the same.

Page 13: Bill 2 allows increases to taxes on property, gas and other items, without a referendum. Numerous fees and other fees such as drivers' licences and park permits could also be increased. These increases also would have a more regressive impact.

An additional specific problem with Bill 2 is that it creates an obstacle to better balance in the revenue-raising responsibilities of local and provincial governments. Municipally administered property taxes are higher in Manitoba than in most other provinces including British Columbia.

Property taxes would likely be higher if Manitoba did not have a provincial-municipal tax-sharing agreement that gives municipalities a very small share of the revenue from income taxes and sales taxes administered by the province.

It is unlikely that Bill 2 would permit increases to these provincial taxes to raise revenues designated for municipalities. While the legislation allows such increases to respond to changes in federal tax laws, there is no similar provision for rebalancing taxing authority between the provincial and municipal governments.

Conclusion: The previous section outlines our objections. It would entrench the wrong goals as fiscal policy for future government. It sets off the wrong rules to ensure that future governments achieve these goals. It is far more restrictive than balanced budget legislation in other jurisdictions.

The current context of economic uncertainty requires responsible measures to stabilize the debt at a more sustainable level, not a law that imposes an extreme version of fiscal austerity on future generations.

Bill 2 is a simplistic yet dangerous piece of legislation. For the reasons outlined in the submission, CUPE requests that it be withdrawn.

* (2050)

I would add to that, since there was a previous question about where does this come from, at the CUPE Manitoba convention back last spring in which several hundred members attended, there was a debate over our opposition to balanced budget legislation. There was a debate over whether we should amend that to ask for modifications. The result of the debate by an overwhelming vote of the delegates was not that we should ask for modifications, but that we should ask that it be totally withdrawn. Thank you.

Mr. Chairperson: Thank you very much, Mr. Russell. Are there any questions from the committee of this presenter?

Mr. Leonard Evans: Mr. Chairman, first, I thank Mr. Russell for an excellent presentation on behalf of CUPE Manitoba.

I would guess that, generally speaking, Mr. Russell, CUPE would probably agree with Dalton Camp, who, in a recent article, referred to politicians, quick to spot a trend, have seized upon the debt issue and declaimed upon it, punishing the poor with the illusory economies while visiting tax deductions upon the more fortunate, but we know all of this. He goes on to talk about—being very critical of governments going in for really what amounts to pursuing a fad, a fad type of legislation.

Would you agree with the observation of Mr. Dalton Camp who says it seems quite clear that we do not have a deficit problem as much as we have a revenue problem?

Mr. Russell: The position I have always taken, and my colleagues in my union have generally supported

the same idea, is to put it in its most provocative form: the debt crisis is bogus. There is not really a deficit crisis.

If you look at personal terms, my bank allows me to take out a mortgage equal to twice my annual income, and my bank allows me to have total debt repayment of up to maybe one-third of my income and one-third is far less than what governments are paying right now. So, if it is good enough for the banks for my personal finances, something better than that should be good enough.

I think the major criterion of whether there is a financial crisis is whether there is any risk of the individual or the government not being able to make the payments, and there is no risk of the government not being able to make the payments. So we are inclined to interpret this as more political than it is economic because it does not really have an economic basis.

Mr. Leonard Evans: Mr. Chairman, you point out under New Challenges to problems that provinces run into and making reference to the federal government withdrawal from various transfers of funds to the provinces and how that does create problems and that perhaps we have not taken sufficient account of this. So I guess what you are suggesting is that, because this legislation virtually puts us in a form of a straitjacket, we are not able to respond, the province is not able to respond to the fiscal realities, to the economic realities year by year.

I would like to ask you specifically if this would be one example of some of the factors. We live in a very fluid situation, and we do not know the future, of course. There are a lot of unknown factors. Another factor has just come up recently, and that is the announcement by the Harris Conservative government of Ontario that they would cut income tax rates by 30 percent, which, I understand, will have a substantial impact on federal equalization payments to smaller provinces including Manitoba. So here is an example, would you not say, of another factor coming along that would have a negative impact on Manitoba trying to achieve whatever it is trying to achieve by way of debt reduction in this straitjacket piece of legislation?

Mr. Russell: I think, then, that perhaps you are contradicting yourself if you say we do not know the future because you are giving us some reasons by which we can predict some elements of the future very well.

I think it is clear that we are looking at very substantial reductions in the transfer payments that will be received by these provinces and the only way with this—yes, it is a good term, straitjacket—in place to deal with 5, 10, 15 percent cutbacks in federal transfer payments will be massive reductions in social programs, massive reductions in government spending. I would go so far as to say that, even though the legislation says that if the federal cutbacks are more than 5 percent, they do not have to balance the budget.

I would expect the government to be in a position where they have put so much public relations into balancing the budget that, even though it is more than 5 percent reduction in transfer payments, they will feel politically compelled to balance the budget anyway, and we will end up with these massive cutbacks in public spending and the social programs and infrastructure and development needs that it supports.

Mr. Leonard Evans: When I said we do not know the future—of course, we know that Ontario has set its plans to reduce the cut—I am sure that was not taken into consideration when the Minister of Finance brought in his medium-term fiscal plan. At least I do not see any reference to that in the document, whereas there is reference to federal transfer cuts. You stated that we should have other targets besides fiscal. You suggested we should have some clear economic and social development targets. Would you care to elaborate on that?

Mr. Russell: First of all, the context would be that we largely believe in what is commonly called a mixed economy, which means that there are some areas where the private sector performs well and the private sector should do the job in those areas. There are other areas where the public sector performs well and the private sector is not particularly suited to do that, especially things like infrastructure development and social programs that do not have a commercial revenue base and therefore do not have a profit base.

So there is some necessity for the government to be establishing an overall economic program of economic and social development and providing those programs and economic goods and services where it is seen as better provided or necessary to be provided by the public sector. That degree of economic planning to find a balance between public- and private-sector goods so that we achieve some degree of balance in the economy, this is the overall comprehensive kind of approach we are talking about rather than the simplistic, balance-the-books at all costs, let everything be done by the private sector because the public sector does not have any money to do anything any more, and let the chips fall where they may—sort of almost anarchist point of view of just letting us accept whatever the market takes. So I am contrasting a comprehensive planning approach with just catch-as-catch-can approach of free market at all costs.

Mr. Leonard Evans: I agree with Mr. Russell. It is rather interesting that back in the late-'60s, a former Conservative government had a report entitled Targets for Economic Development—the TED report fostered and introduced and submitted to the Legislature and the people of Manitoba by the Honourable Mr. Spivak at the time. At least that was an attempt. You may not agree with the targets or the detail but at least it was an attempt to set out a pattern of growth.

So what you are suggesting, this is what we need today. I do not know of any plan by the government or any target set forward by this government, by this Minister of Finance (Mr. Stefanson), for specific economic goals that we should try to strive for. There does not seem to be any notion of where Manitoba is headed as an economy. So what you are suggesting is that we would do well to do our research and to establish some goals and to decide what kind of public investment we may need in addition to any private investment in order to achieve a higher standard of living, let us say, for our people.

Mr. Russell: And it also carries the implication, as I have said on many occasions in the past myself, that governments in the past, even Conservative governments, used to stand for social policy and finding the balance in the mixed economy. There has been a swing in a lot of governments, not just the

Manitoba government, and perhaps more elsewhere than in the Manitoba government. There has been a swing to the hard right and private enterprise at all costs. Social planning and social programs and social infrastructure are illegitimate because they interfere with the private market. Part of the thrust of our brief is wanting to try and soften this swing to the hard right and private enterprise at all cost.

* (2100)

Mr. Leonard Evans: I would just comment that, again, Dalton Camp who is a long-time Conservative, responsible for maybe in many ways getting Bob Stanfield the leadership of the Conservative Party, and, of course, more latterly, an adviser to Mr. Mulroney. He himself has referred to the present Conservatives as Cro-Magnon Conservatives as opposed to the Conservatives that he knew in the tradition of Sir John A. Macdonald, who saw that there was a significant role for governments to play in bringing about economic development.

My question, and I am supposed to put questions—[interjection] Any time. I would, I guess, gather that you would agree with Mr. Dalton's comment in this respect.

Mr. Russell: I would be inclined to agree with this eminent Conservative's comments, but I would also add that when I first started teaching economics at the University of Manitoba in the 1970s, it used to be that there would be a footnote at the bottom of the chapter saying: and this is what the crank right thinks.

Nowadays, this seems to be the mainstream right. It is this, again, move to the hard right and hope to move them back to a more moderate stance where they really used to be that I would like to see.

Mr. Chairperson: Any other questions of this presenter? If not, thank you very much, Mr. Russell, for your time and expertise this evening.

The next presenter on our list is Mr. Peter Holle of the Manitoba Taxpayers Association. Mr. Holle, could you come forward, sir. I see from your appearance

tonight that you have a number of printed manuals to circulate, and I thank you very much for that. We have now circulated your brief, would you please proceed, Mr. Holle.

Mr. Peter Holle (Manitoba Taxpayers Association):
Thank you, Mr. Chairman.

Thanks very much for inviting the Manitoba Taxpayers to talk to Bill 2 to this committee. As you might know, we strongly support this legislation. Before I get into my comments, what we have done is we have assembled some past materials; we have a lot of writing on balanced budget legislation, also on taxation, debt, spending in Manitoba. The material that I have circulated to you is really a compendium of past materials. I think some of you have probably already seen it.

Some quick background on the Manitoba Taxpayers Association. First of all, we represent around 13,000 taxpayers across the province. The general profile is that we are average taxpayers. A common member might be a medium-sized grain farmer out in rural Manitoba; in Winnipeg, a medium-sized business would be fairly characteristic. We like to call ourselves a common-interest group; we are not representing a group which benefits from government spending. A lot of the groups here tonight will be people who are paid for by taxpayers and they reside in the public sector.

We are nonpartisan, we are nonprofit, and our overall objective is to promote the responsible and efficient use of tax dollars. One of our key priorities is an effective balanced budget law which protects taxpayers. We believe that Bill 2 is a piece of legislation which basically meets what we would like to see in a balanced budget law.

I have attached to this thing, at the very end of it, an evaluation from the Canada West Foundation which ranks the proposed legislation against the three other balanced budget laws which are in Canada. You will see that the Canada West Foundation, which is a respected research organization, gives it an A-plus and says that it is a highly respectable piece of legislation. It will be an effective balanced budget law, and we will get into that in a bit.

I would like to talk to the topic of the challenge for Manitoba. I think we need to have a very large reality check in parts of society here in Manitoba. As we all know, we reached the high-water mark a few years ago probably in terms of public tolerance for government spending and taxation. In the immediate future, I think you are going to see a situation where the revenues available simply will not be there. It is very simplistic to expect that if you can raise taxes you will generate more tax revenue to pay for services.

Our position is that governments have ample revenue, that if you look over the long term, over the last 20 years, for example, taxation has exploded, as has the size of the public sector, and in general—some folks here they like to use the term simplistic. They always talk about getting more revenues. In fact, we believe strongly we have a spending problem—we do not have a revenue problem—that governments, in fact, use our money less effectively than they could. We see the balanced budget law as a mechanism to start to force the system to make some changes, become more efficient and live within its means just like ordinary families do, ordinary people do.

Provinces, governments—this is a thing that a lot of groups cannot comprehend—are not in the position to go out and raise taxes. Again, you can raise the rates but you will not get the revenue and there are quite a few examples of that. One I would like to cite is in our neighbouring province of Saskatchewan where sales taxes were raised and revenues did not go up and a lot of financial treasury boards have consistently overestimated what kind of revenues they can generate from higher taxes.

So what is going on is some very big changes are happening. We are in a world where there is rapidly changing technology. We have free trade and we have tax competition. If I can move my business 100 miles south or 200 miles south and save money by enjoying lower taxes, I will certainly look at that and I think it is quite naive for certain groups to constantly expect to see taxes go up. If you look at how much the public sector, how much governments are consuming, it is between 40 to 50 percent, and what we would say is half of our incomes is plenty, thank you.

Let me talk about technology very quickly. We are in a time now where people can set up businesses, do work over the Internet, over computers. They can locate on the other side of the world and people will not exactly be easy to tax. I would suggest to governments that you are probably in a situation where your tax revenues will start to go down over the future simply because you cannot use technology to see what is happening.

If I buy something over a computer system, you will not get the sales tax revenue. If I do business on the Internet and say credit my account on the Internet and I do not report it to the government, you will not be able to tax it. So I think we have to seriously start looking at the spending side of the equation and not the simplistic revenue taxes and most of what I believe you will hear tonight from a lot of the groups here that come from the traditional public sector.

I think we have to look at the advantage of the balanced budget law in the sense that it is a very important signal to people, to residents, to taxpayers, to investors, that the government here have decided to put some restraints on the public sector which has tended to, over the years, expand relative to the private sector. We believe that the balanced budget law as proposed will go a long way towards stopping the spending dynamic that is in the public sector. It simply is not sustainable and, again, I am going to read something specific to that point.

* (2110)

A couple of other points, the law will protect taxpayers because, simply put, it is very difficult to convince people out there today that the government is operating so efficiently that all they need is some more revenues. In fact, most people would say, I do not believe the government is operating as efficiently as possible, and they will tend not to vote for tax increases. We do not think that is necessarily bad because it will end the easy-revenue options which have driven the large expansion of the government over the last 30 years.

Again, that spending dynamic simply is not sustainable. You can keep borrowing money. You can

keep spending money. You can try to get more taxes. At the end of the day, we are now at the point where taxes probably will have to start going down in response to competition from other places.

There is a moral dimension to the balanced budget law. There is a basic immorality involved with old-style Keynesian economics, where we run up large deficits and build up big debts and then dump it on our children. Effectively what is happening, those children do not have any say in that debt, and what is happening is that the present generations have been spending, borrowing from the future and then sending the bills to their kids. I, for one—I have a young son—do not believe that it is fair for us to constantly borrow using some dated 1960s style of economics and come up and borrow and build up debts and then find out that we have rising interest payments, and we go into a vicious circle where those interest payments start driving higher taxes.

The last point, again from a social justice perspective and the Taxpayers Association, we want the public services. A lot of people, a lot of groups, look at this very simplistically. We say that interest payments are a transfer to the rich, and, in fact, that they crowd out spending on services. I cannot understand why the so-called traditional left groups do not seem to see it that way.

Now, I am going to quickly read something which we prepared last year. It is in your document, and I am going to talk about why there is a bias in our political system towards constantly increasing spending. I will start with the second paragraph here; I just want to read it into the record.

Our spend-now, pay-later style of government is not sustainable. As bills on past borrowing come due, interest payments ruthlessly crowd out the government's ability to provide needed services. Taxes creep up. Investment falls. New jobs decline. As the growth of the tax base stalls, the foundation that supports public programs begins to rot away, throwing established services into turmoil.

Assorted groups, oblivious to the need for change, are now pushing the cause of flexibility to spend.

Older-style politicians, concerned about losing their unfettered ability to spend other people's money, are sermonizing at length about our system of representative democracy.

Delegating control of half our pocketbooks to a handful of elected officials has not worked out. We cannot blame the politicians. Some believe that they can protect taxpayer interests, but, as the dismal state of public finance in Canada demonstrates, they rarely succeed because a larger, much more pervasive dynamic in politics favours rising spending. Fiscally responsible politicians eventually get chewed up and spit out by the system. More usually, they succumb to the immense pressures to expand the public sector, because at the end of the day it is always easier to go with the flow and spend.

The phenomenon known as concentrated benefits versus dispersed costs is the most pressing defect pushing the relentless expansion of government spending, borrowing and taxation. The benefits of any given spending program normally are concentrated among a small number of people. However, the costs of that same individual spending program are dispersed across a much larger class, the general taxpayer.

Competition between tax spenders and taxpayers is highly unequal. It simply is not as worthwhile for an individual taxpayer to spend much time and effort to save a few dollars in taxes as it is for interest groups to secure millions of dollars for themselves. There is a great concentrated payoff in spending thousands or even millions to manufacture studies and spring them onto an often unsuspecting or uncritical media to fan public emotions and put the politician on the hot seat. Why not, when the payoff on relatively small investment is greatly increased public spending that benefits a lobby-happy few?

Suppose a group wants to have the government fund a worthwhile activity that needs a million-dollar subsidy to operate every year. It goes to the government and asks for a million dollars and in Manitoba, with about half a million taxpayers, that works out to about \$2 per taxpayer. It is no big deal, but on the other hand you will have a group that is going to get very large subsidies and, of course, it is in their interest to spend.

I am going to try and summarize a little bit here. The second reason for the spending bias is the short-term horizon of politics. As we know, political benefits of spending now are immediate and highly visible; however, the long-run costs are somewhere in the future. They are not immediate and they are not visible upfront. The problem we have is that people want to be re-elected. Politicians, they want to be recognized and loved. They want media exposure so there is a bias in favour of high visibility spending projects. Politicians look good by borrowing money to fund make-work projects, erect big buildings, bring in daycare programs, whatever, and at the end of the day few voters can see the connection between overspending and the debilitating effects of deficits, higher taxes and other things like high interest rates and the fall in the living standard.

I am going to summarize again. One of our big beefs at the Manitoba Taxpayers Association is that we believe the public sector simply has not modernized, that we have a situation where people or departments find it easier to expand spending. Why is there a constant push to grow spending in the government, within the system itself?

First of all, imagine trying to run the largest, most costly organizations in Manitoba this way. Pay your staff based on how big a staff and budget they can grow. If they are efficient and do not spend all their budget, deduct any surplus from next year's budget. If they overspend, reward them by giving them a bigger budget next year. Have all services provided using department staff only. Let them organize public services as a cost-plus monopoly so they can hold the public ransom for higher wages without regard for productivity or performance. Do not have any systems for measuring the cost of delivery so no one has a clue how expensive the unit cost of service is, and then discourage the use of talented people by underpaying senior managers, and then burden them with lots of red tape and big central agencies.

Given this archaic operating framework, need taxpayers wonder why the public sector is synonymous with low productivity, special privileges for the few and ever more costly government. Need taxpayers wonder why government spending has exploded, why

public-sector salaries are way out of line with comparable job private-sector salaries, why the population of Manitoba is up by 14 percent in the last 25 years while the civil service has grown by 95 percent during the same time. Just for example.

If Manitobans want to preserve the province's ability to provide high quality services, they must overcome the relentless spending dynamic in politics that pushes constant overspending, rising borrowing and excessive taxation. This is why the people of Manitoba need protections against the concentrated benefits, dispersed cost problem, the short-term spending bias caused by the four-year electoral cycle, and the perverse spending orientation of old-style, spending-oriented department structures. We need to take the pressure off the politicians to constantly spend more. We need to force a renewal of the public sector by ending easy revenue options that now prop up inefficient and obsolete practices in government. In short, we need to level the playing field for taxpayers.

We have heard about Proposition 13; I could comment on that one at length. The bottom line with Proposition 13 is that California had a fairly unprecedented boom in the early '80s, and it was because people had a lot of money in their pockets and they did not hand it over to bureaucrats and politicians to spend. The money still was spent, and you had great growth in California.

* (2120)

I am going to end this little section here. Balanced budget laws have worked very well in other places, and I am going to cite Switzerland. Switzerland is the wealthiest country in the world. It has high-quality public services. It has an effective balanced budget law that controls government spending and tax levels. So that is the political science portion of my chat here.

I am going to wrap it up by saying that the balanced budget law here is very well designed. It has provisions for retiring the debt. It does not allow smoke-and-mirrors accounting. There is a taxpayer protection mechanism, and I would like to say that we have balanced budget laws out there which do not allow the people any say in whether the politicians and

the interest groups should raise taxes on them. Those are considered to be weak and ineffective balanced budget laws.

At the City of Winnipeg we have a balanced budget law, too, but because people could possibly go and raise taxes, what we have are high taxes.

Finally, there is an enforcement mechanism in this act which will bring it home to our elected officials that there are some consequences if they do not balance the budget, and in that we really commend the government for showing courage putting that in there.

This act will allow the province to provide more services by eliminating the dead-weight losses of interest payments. I believe right now we are spending approximately \$600 million a year on interest payments which could be used for valuable services. It will attract investment. It is a very strong and powerful signal to people that we have a framework where the public sector has some reasonable limits. We are not talking here about slashing and burning, contrary to what you will hear from other groups who benefit from the present system.

If we can attract investment, we can create jobs, and at the end of the day that is what we want. We want to have an expanded tax base. We want to have more taxpayers.

The act will control the power of interest groups to manipulate politicians. Presently, and in other places, highly organized interest groups which are well funded can exert a lot of pressure on a handful of individuals, and those individuals sometimes will see that it is much easier to go out and raise taxes than to restructure the system and possibly threaten some of those interest groups.

This will, in our opinion, be one element of a framework which is required to protect the high standard of public services in Manitoba and an environment where we will have jobs and growth. Again, because it will end the easy revenue option of raising taxes—I should not say end, but severely restrict that option—we believe it will encourage the government to look at reforming the archaic low-

performance public-sector system that we have where we have a lot of cost-plus monopolies, where there is a focus on the needs of the provider as opposed to the taxpayer, where we have a privileged public sector that has above-average wages and then wonderful benefits while my members have to fight with the loss of subsidies and a very tough business environment.

This act is considered to be, in its model form, the most effective legislation in Canada. Again, I would urge you to look at the Canada West Foundation summary, and again I would point to places like Switzerland where they have balanced budget legislation, they have high-quality services. They also have lower taxes, and they also have a much higher standard of living.

Mr. Chairperson: Mr. Holle, thank you very much for your presentation. I would point out that I think we are probably reaching the framework—

Mr. Holle: With one sentence here. We strongly support Bill 2 and congratulate the government for the quality and scope of the proposed law. Again, I would be happy to answer any questions.

Mr. Chairperson: Thank you very much, sir. I appreciate that.

Mr. Leonard Evans: I thank Mr. Holle for the presentation. I have a few questions, and my colleagues have a few questions as well. I will try to be brief.

You lament about the level of government spending and wish that government spending would be cut. In Manitoba, the biggest single expenditure we have is on health care, about a third is on health care. Precisely, what do you expect the government to do? How many more hospitals should we cut back on? How many more nurses should we lay off? Just exactly what should the government be doing specifically?

Mr. Holle: I do not have the statistics with me, sir, but if you compare the staffing and the expenditure relatively back in 1970 and 1969 with today, you will see that spending has disproportionately exploded in the public sector. If I recall back in 1970 and 1971,

Manitoba was not the third world. We did have health care services, et cetera. I think that a lot of the people who do not want to have some limits on the public sector are using the traditional red herring, that we are going to see the health care system blown up and destroyed. I think that is just old politics.

I think that the health care system, if you want to get into it, there is lots of room to make changes there. I do not believe that the option of costly dumping more money into it is a solution and that is what this law will say. It will say you cannot simply go out and ransack the pockets of the taxpayer and throw more money into these systems which we believe do not use our money very effectively.

Mr. Leonard Evans: Mr. Chairman, Mr. Holle seems to think that you have to have this law to curtail spending or to cut spending. I would submit that is not the case. The government can do everything that it intends to do with this law without this law. So I am maintaining that all the things that Mr. Holle seems to want can be done without this legislation. There is nothing preventing the Minister of Finance (Mr. Stefanson) or his colleagues from cutting back on health care spending. If that is what you want, if you want to hack and slash away at the health care system, you think they should do more than they are already doing, they can do it. They do not need this bill to do that.

Mr. Chairperson: Mr. Evans, your question.

Mr. Leonard Evans: Do you agree with that observation? They can cut back on spending in schools. They can cut back on the poverty-stricken families in this province. They can cut back on welfare payments even more so than it is already being done without this legislation. So is this what you are advocating that the government should be doing more than it is already doing?

Mr. Holle: That is the old-style politics and I think, frankly, a lot of people just do not believe it anymore. We have numbers that show the school system, for example—and I know there are some people here from the public school monopoly—that real spending has increased by two-and-a-half times and we are getting a

product which is not as good as it was 20 years ago. Your solution is to throw more money in it, tax more people, borrow more money and throw it into these broken systems. Then you try and say that we are trying to destroy the system.

I do not understand. You are asking us to trust you as a politician, that you are not going to raise taxes. We like this feature in the law that politicians cannot get together, have a pizza somewhere and go out and raise taxes.

Mr. Leonard Evans: Well, talking about raising taxes, I would like to ask Mr. Holle whether he agrees with the feature in the law that enables this government to reduce property tax credits, they already reduced them by \$75. It can eliminate the property tax credits which is tantamount to an increase in municipal taxes. That is a loophole, I would think from your point of view, in this law, and would you not want the government to include that as well?

* (2130)

Mr. Holle: I would say that if you look at what the Canada West Foundation says, if you look at what the Financial Post says, if you look at what the quality press out there says, this is a good act with lots of protection for taxpayers.

I am sure the government—this thing with municipal taxation, I see that as another issue. I see that again as a problem involved with bad structures at the municipal level, and what we have is poor quality spending going on. I do not believe that we need to put more money into municipal government.

I guess what I like about this act is that it severely restricts the ability of the system to constantly raise the rates of taxation.

Mr. Leonard Evans: Mr. Holle, I do not know whether you are aware or not, but this legislation would enable the government to continue to offload costs onto municipalities. We had an example of this a couple of years ago when the government of Manitoba turned over several hundred miles of provincial roads back to

the municipalities which in effect transferred a real cost to municipal taxpayers in this province.

This can occur, and I would submit to you likely has occurred in the past and I would submit it will occur even in spades in the future, because of the limitations imposed by the legislation with regard to income tax increases or sales tax increases. So my question is, do you not have a concern, or do you have a comment on the fact that there could be major offloading onto the municipal governments of Manitoba?

Mr. Holle: My response is, I believe that there is a lot of room on the spending side, also at the local government level, to make a lot of changes where we can get value for money as taxpayers. Again, unfortunately, the discussion here is constantly around revenues and taxation and the ability to grab more money from taxpayers.

Mr. Leonard Evans: On the spending side, I would just ask another question because I have colleagues who have questions as well.

Could Mr. Holle be more specific exactly on where he would cut spending in this province, because I would submit that he can look at the budget of Manitoba and see where there have been cuts in spending over the last few years, where the line has been held on spending—and I am sure the minister will agree with me—and yet, Mr. Holle, you are suggesting we have more cuts. I want to know how much more should be cut from the budget in Manitoba, and exactly where would you cut on behalf of the Manitoba Taxpayers Association?

Mr. Holle: I am not talking about cuts. I am saying we want value for money. In your world, sir, I believe the options are you cut services or you raise taxes. The third option is that you deliver services more efficiently or you become smarter with the use of taxpayers' money.

Again, I do not buy the simplistic argument that the only option we have is to shut down a hospital or to go out and raise taxes. That is part of the problem here in Manitoba. It is that kind of thinking that has led to the mess that we are in, relatively speaking, here in Canada.

Mr. Leonard Evans: Well, specifically, would you get it straight, Mr. Holle? Do you or do you not want to cut spending in the process—

Mr. Chairperson: Order, please. I would invite all members of the committee and all presenters to address their questions to the Chair and through the Chair to the witness in order to sustain an orderly flow of information.

Mr. Leonard Evans: This is the last question, Mr. Holle, and I do not mean to offend Mr. Holle at all. He is a very fine person, I know. Mr. Chairman, I wonder if Mr. Holle could be precise and indicate, is the Manitoba Taxpayers Association suggesting here in this presentation that there should be a cut in the expenditure level of the Province of Manitoba? Yes or no?

Mr. Holle: Well, again, we want our services. We are saying they can be delivered in much more efficient ways than we do at present, where we have everything run by large monopolies, et cetera, and interest groups. We would like to see spending reduced, but we would like to have our services preserved, and we believe that is possible if we look to other examples, other places where the world is not just black and white, slash and burn services or raise taxes. We have to move away from that.

I think also that you can lower the interest payments. One of the benefits of this act is that the dead-weight loss of interest payments will start to decline. Instead of spending money on interest payments, which a large portion of that is going to foreign investors, foreign banks, et cetera, we will not be spending that money on servicing rich people out in Japan or the U.S., and we can have that money here for services.

Mr. Sale: Mr. Chairperson, through you to Mr. Holle. Mr. Holle, I am puzzled by your continual use of words that sound to me like trigger words that talk about increased grab, increased take of the public sector of the overall revenues of the province. Yet, as my colleague the member for Brandon East, Mr. Evans, has repeatedly pointed out, the percentage of our provincial economy that has been used by government was 18.4 percent in 1986-87, the last full year of

operation under the Pawley government. This year it is 19.5 percent. It has fluctuated as high as 21, and it has come down from that level to 19.5.

Can you, first of all, help me understand your rhetoric that suggests that somehow there has been an increasing take and yet the government's numbers suggest an incredible stability, and a stability which frankly, I think, is surprising, but nevertheless there it is? Where is your perception coming from, Mr. Holle?

Mr. Holle: What you have to be careful about is, you have to look at these things in a relative manner. If we compete with the United States, for example, and they have a much lower take by the public sector and they have lower taxes, then we are in a situation now where we are a high-tax island in a world where taxes are going down. We can all argue that we are stuck at 20 percent or whatever, but if our competitors have lower taxes and they are cutting their taxes and lowering their taxes, and most importantly they are running their public sectors not like a Polish shipyard in 1975 but they are running like customer-service-oriented businesses that are becoming more efficient, that is what you have to look at, sir. You cannot compare us with Saskatchewan and Ontario; you have to compare ourselves with other places in a global economy.

Mr. Sale: Mr. Chairperson, Mr. Holle's comment then, it seems to me that he has confirmed that he is not suggesting that Manitoba has been taking more and more money out of the taxpayer's pocket, that it has been with some minor ups and downs, it has been very stable. I am puzzled by this contradiction, so I am trying to get it clear, Mr. Chairperson. What he appears to be suggesting then is that on an absolute basis we must reduce our spending, which I think was my colleague's question to him before. So I have the sense of a circle here. I am wondering if you can help me out and make this a little clearer.

Mr. Holle: Very simple. In the old paradigm it is either you have to—like, spending cuts are equated with service cuts, okay. That is where we have a problem out there, and one of the goals of the Taxpayers is to say we can spend much less on these services but we can still get the same amount of service.

What you are doing, sir, is equating spending cuts with service cuts, and I think that is simplistic these days. The government here, for example, has done some experiments with things called special operating agencies, where they provide a framework to reward civil servants to be efficient with our money as taxpayers. And what is happening there is that they are providing services at a lower cost simply because they have a framework where people are rewarded for not wasting money.

What we have to do is get away from this simplistic thinking where, if the Taxpayers come out and say we think spending can be reduced, we get tarred as people who are trying to destroy medicare and services, and that is just not true. We believe services can be provided at much less cost if we deliver them differently, and that is where we get into this whole question of the framework.

There are countries out there who are bringing competition into the public sector. You can get into things like vouchers in the school system. You go to Singapore and there are medisave accounts where people put money into accounts, and there is a private health-care system, but the government will help them if they cannot afford health care.

There are other ways of providing social services, sir, and we have to get away from the black and white spending cuts is equal to the destruction of our heritage, et cetera.

Mr. Sale: So, Mr. Holle's point then, if I understand it, is that we should reduce our expenditures entirely through increased productivity in the delivery of public services.

Mr. Holle: You are reading a lot into what I have said here.

* (2140)

Mr. Sale: No, Mr. Holle, I am trying to understand what you are saying. Mr. Holle, I am simply trying to get clear in my mind what it is you are saying, and I am having some difficulty. I hear you saying that productivity is your main focus, we should increase our

productivity in the delivery of public services, thereby allowing us to maintain quality of service at a lower cost. Is that your point?

Mr. Holle: Yes, I would agree with that, and I would encourage people, especially on Mr. Sale's side, to stop defending these old, expensive, status-quo, public-sector structures where we are not getting value for money. Let us look at new ways of providing things. For heaven's sake, the Labour Party in England is now promoting competition in the public sector. We want to see the end of monopolies in the public sector, for example. Very basic. We can lower the spending, and we can get the services, and we have to get away from the simplistic cuts are equal to fewer services.

Mr. Sale: I do not want to get into a long debate about what is actually happening in the British health care system, but it has little to do with the private-sector incentives and it has everything to do with increasing effective provision of internal markets within a public-sector health care system. It has nothing to do with privatizing the health care system. The American health care system is probably the world's worst example of the private sector.

Mr. Chairperson: Mr. Sale, do you have a question here?

Mr. Sale: I do have a question, and it has to do with the Taxpayers Association, Mr. Chairperson. I wonder if Mr. Holle could indicate—he has given us a little profile in his brief—the role of members in determining the policies of the Taxpayers Association.

Mr. Holle: Yes, this is a common question we get. We publish widely a one-page summary of our objectives and people essentially, if they agree with those objectives, sign up with us. If they do not like what we do, they do not renew their membership. That is different from other groups in this room, sir, who have government laws which provide them with millions of dollars every year, forcibly, so that they can go out and advance certain ideologies. Big difference.

We are a voluntary organization, sir. We sell a product, and we are very open about what we are doing. I would challenge you that the other groups out

there—if there were some way of getting the government to pass a law giving the taxpayers millions and millions of dollars every year, this law would have been here a long time ago.

Mr. Sale: Mr. Holle's remarks are very interesting, that he would be very interested in a situation where he could get a subsidy to do what he claims other groups do, and yet he is against subsidies for special interest groups.

Mr. Chairperson, I wonder if Mr. Holle could identify what he means in the many places in his various newsletter excerpts which he has put before us—he talks about special interest groups. I wonder if he could define a special interest group for us.

Mr. Holle: I would define a special interest group as those that benefit from concentrated spending, particularly in the public sector. The ones that will go out, lobby politicians to go out and spend money on different things. I would say that those groups also occur in the private sector, but unfortunately there has been a tendency for these groups to be clustered very much in the public sector.

They are the ones that defend monopoly. They do not want competition. They are against choice for taxpayers, choice for parents. That is how I would define an interest group, or special interest group.

Mr. Sale: So, in that sense, Mr. Chairperson, does Mr. Holle consider the Taxpayers Association a special interest group?

Mr. Holle: Using that definition, no. What I would say is that we are a common interest group. We want lower taxes. We want the government to operate for the customer, and some people laugh and call that simplistic, but we do not think the government is there to provide jobs and do all sorts of social planning, et cetera. Common interest group is what we use.

Mr. Sale: So a special interest group is any group of people or organizations that benefits from public largesse and has some kind of particular view of something. Is that the understanding?

Mr. Holle: Yes. I think we are sort of going off on a tangent here. Yes, I would use that as my definition of a special interest group.

Point of Order

Mr. Ernst: On a point of order, I appreciate that the member for Crescentwood (Mr. Sale) wants to engage in a running debate with the presenter here today, but I wonder how much relevance that line of questioning has with respect to Bill 2. Mr. Chairman, I do not think it has very much relevance. Perhaps the member for Crescentwood would like to confine his questioning to matters related to Bill 2.

Mr. Ashton: On the same point of order, I recall the member for Riel (Mr. Newman) only a few minutes ago asking a previous presenter how dues were raised within their particular union. I would suggest these questions, which refer more specifically to the brief, are probably more in order than the previous questions. We did not object when the member for Riel asked the question. I thought that we had a fairly flexible set of questions available to members of the committee, and I would suggest that we should apply the same rules of flexibility for the member for Crescentwood.

Mr. Chairperson: Mr. Ashton, it is a point well taken. I would urge all members of the committee tonight to direct their questions to clarification or edification of the points that have been made. I know that often it is very tempting to engage in debate and it is very enticing. The quality of debate, I must state, has been of a high nature tonight, and it has been very interesting as Chair to observe and preside over this debate, but I would, for the interests of brevity and clarity, urge all members and presenters to keep that focus in mind. I thank you very much.

* * *

Mr. Sale: Mr. Chairperson, on the issue of relevance, in which I appreciate your ruling, I am simply trying to be clear about the number of Manitobans that have had any role whatsoever in presenting this brief before us tonight. It was clear that the three previous presenters legitimately represented people who voted at annual meetings, who have a membership, who studied

carefully a question, who came to a position on a brief and decided to submit that brief to this group.

I am trying to understand whether the Manitoba Taxpayers Association as a group has any even vague idea that this brief is being presented and whether they have any idea whatsoever of what is in it, because I need to decide what kind of weight to put on the views that are presented in this brief. I think these are very, very important questions. I would like to ask Mr. Holle just who is then, and how many are, the Manitoba executive group that actually have seen your brief and approved it to be presented here tonight? Could you tell us how many people have seen it and approved it?

Mr. Holle: I was told about this meeting late last night so nobody is aware that this is being presented, but I have the full confidence of my board and, I assume, of the supporters of the Manitoba Taxpayers Association. We fought very hard to get a high quality balanced budget law, and we believe we have one here.

Mr. Sale: Mr. Chairperson, I can simply observe to Mr. Holle that if I, as the executive director of the Social Planning Council, ever did what you have done tonight I would have been fired because I have no right to present views that have not been at least passed by an executive or a board of my organization, much less the membership. Thank you, Mr. Holle, for your brief.

Mr. Chairperson: Mr. Newman, did you wish to ask a question?

Mr. Newman: I just wanted to make the observation that given the logic used by Mr. Sale it would seem to me that there would be no purpose served by this hearing at all, because the electorate has already decided this issue and it is made on this particular matter. The submissions thoughtfully given by individuals here tonight are done conscientiously.

This particular organization has had publications in the media. Their position is well taken. The balanced budget legislation has been around for a long time in bill form before the election. It would seem to me that the views that have been presented by Mr. Holle are probably very widely held and very widely supported. I think he diminishes the significance of the work that

Mr. Holle has put into this and the organization and the people behind the organization with all due respect.

* (2150)

Mr. Chairperson: Are there any other questions of this—oh, sorry, Mr. Minister.

Mr. Stefanson: Mr. Holle, I thank you for showing incredible patience. You referred earlier to the annual debt servicing costs of Manitoba, you said somewhere over \$6 million. Well, for 1995-96 they are actually \$648 million. Back in 1980 they were approximately just under \$100 million, so our debt servicing costs in some 14 years have gone from \$100 million to \$650 million. I guess I would ask you your views on that, whether that is something you think has been positive for Manitoba, for the economy of Manitoba, for the taxpayers of Manitoba and whether or not dollars used in those areas could be utilized for the kinds of services that the member for Brandon East (Mr. Leonard Evans) showed such a great deal of concern about at length with his preambles to questions, whether it is health care or education or family services or whatever. I would appreciate your comments, Mr. Holle.

Mr. Holle: I can comment to that on two sides, No. 1 on services. That is \$650 million that we could be spending on health care and these other services, which the Manitoba Taxpayers wants, by the way, and again it is a problem with certain groups out there. They do not understand that if you live beyond your means for a long time you start to owe your shirt to banks, et cetera, and you basically lose control, you lose the ability to provide needed services to the people. I think that the government, by putting a systematic plan into place to reduce that dead-weight loss, actually is being very socially responsible.

On the other side, taxation. We did a calculation. I do not have it here with me, unfortunately, but if we did not have to spend that \$650 million, we would have substantially lower income taxes, substantially lower sales taxes, probably no sales tax. I do not know—the minister would know this. Again, if we have lower taxes we have more investment, we have more jobs, we have a bigger tax base, and we have a virtual circle in reverse.

What we have now is rising interest payments, crowding out of services, higher taxes and, of course, the fact that you have fewer services and higher taxes does not make the place as attractive a place to move to. What this government is doing by putting in this balanced budget law is they will create an environment where we have better services, we have lower taxes and we have a more efficient public sector. We will have the services at lower cost, and people will have more money in their pockets. I do not see the social justice involved in supporting borrowing money and blowing money on interest payments which could be used to support services.

Mr. Chairperson: Mr. Sale, I am sorry when I got lost in the comments around the table. Did you have any further questions of this presenter?

Mr. Sale: Mr. Chairperson, simply in response to my colleague across from me here, the member for Riel (Mr. Newman), I have no problem with an individual presenting a brief on his own behalf. I would not have asked any of the questions regarding the Taxpayers Association if that was what was before us. But, when we are presented with something that appears to be on behalf of an organization and for which there has been no organizational approval, then I think we are being asked to put undue weight on an individual person's perception of the issue. So that was the entire purpose, to find out whether it was supported by a large number of people or whether in fact it was the work of a staffperson. It appears to be the work of a staffperson. That was my question.

Mr. Chairperson: Mr. Holle, would you care to respond to those comments?

Mr. Holle: I find that pretty incredible. If you ask the average union stiff out there, and we talk to them all the time, whether their leadership represents what they believe, they will say no. They are forced by an old law to be part of an organization and give that organization a lot of money. To suggest that the Manitoba Taxpayers Association is a one-man show, I think, is quite an insult to quite a lot of Manitobans who like what we are doing, who are supporting us voluntarily. Our membership is going up, so it would suggest to me that whatever we are doing is something

which strikes a chord with the public. There are no laws forcing people to join the Manitoba Taxpayers Association. I would argue that if the laws were taken off of some groups, the privilege that forces people to support these other groups, things would be much different here in Manitoba.

Mr. Chairperson: Mr. Ashton, you have a question, sir?

Mr. Ashton: I have a series of questions, and I thank Mr. Holle for the opportunity because I must say that in looking at this legislation I think very much that you have probably been more responsible than anyone for drafting this particular legislation.

It certainly reflects what the Taxpayers Association has been lobbying for, and whether we agree or not on the bill I think that is fairly clear. I think it gives us an opportunity to get some further clarification, perhaps, out of what the total picture is than we have been getting, I think, from the government.

Because I tend to think the government brought this bill in pretty much in a hurry before an election and according to the member for Riel (Mr. Newman), since we had an election, that is it, we are stuck with it. He is quite right. That is the democratic process to a certain extent, but we are still in a free society where we are able to ask questions and comment. So that is the tenor of my questions today.

What I wanted to focus in on was there are various statements throughout the document and in reading it, and I have read various things that you put out, one of the constant themes—there are a number of constant themes. First of all, you made reference to special interest groups. I think we have dealt with that.

I was quite surprised when you referenced the public sector, because in my own community I recently had four Highways employees who quit the public sector, which you reference as having high wages and benefits, to go work at the private-sector employer in our town. They make \$5 an hour more in starting positions. So I do not think it is quite as simple as that. I think there are many people in the public sector who are making at or less than the private sector. It depends on the job.

You mention, and there is quite a bit of documentation of this going back to 1961 and then going forward in terms of expenditure and the taxation, you also made reference to 1970, I believe, and I guess what I want to ask is—and you made this in terms of specific comments and also general comments—without getting into a debate over, you know, spending reform, the rest of it, what is your target? How much would you like to see public sector expenditures reduced in the province? Back to 1961, 1970, 1975?

Mr. Holle: If we can have five hours to discuss this, what I would say is that a lot of our expenditures are of low quality. We do not get a lot of value for the money.

We have lots of evidence from other places that in general the archaic cost-plus, provider- dominated public sector that we have to some degree still in Canada, that they provide the services at a higher cost of 30 to 40 percent than one where there is competition, where there is performance measurement, where people are rewarded for being careful stewards of taxpayer money. So I do not know. I think there is lots of room to reduce spending but preserve services, and that is the thing that I always want to stress.

The groups out there who want to have unlimited access to the taxpayers' pockets, they will constantly equate spending reductions with service cuts and, again, that is just not the case if you move to a more modern paradigm for the public sector. So I would say we could easily cut spending by 20 percent, but we would still have the services.

Mr. Ashton: I am somewhat puzzled by those comments because I know in some areas you have mentioned specific targets. You mentioned education, and quite frankly I found it rather interesting because it was documented, it was published in my own local paper, talking about expenditures in 1972. That, by the way, is when I graduated from high school, and quite frankly I was puzzled by the suggestion that we can simply go back to the good old days of 1972.

I would like to take you on a tour of my high school and compare what I had in the way of an education and what my kids have right now and quite frankly I would

not want them to be back to what they had in the way of 1972 when you look at the new world we are in in terms of computers, et cetera.

I am just wondering—and quite frankly I got a good education out of Thompson, but my kids are getting a better one. I think a lot of work has been done by a lot of people in the public sector, and parents, teachers, students, in terms of improving that. I am just wondering why you put out that particular suggestion that we go back to the good old days, basically, on the premise, you are suggesting, that grads today apparently are not as well equipped to deal with the current world as in the past. I would argue that very strenuously because quite frankly my kids know a heck of a lot more about the world, have a much better standard of education than I did in 1972, same school. Yes, the expenditures have gone up, but they are getting a better education. Are you suggesting that it should go back to 1972?

* (2200)

Mr. Holle: In terms of spending in the school system, real spending has increased about two and a half times, and if you look at the average scores, et cetera, rankings against other countries, Canada has actually slid back. So what we are doing is we are paying twice as much for something which is of a lower standard, and it could be that in your school something unusual has happened, but we have a lot of feedback. One of our big areas when we are out talking to people, the taxpayer, is that the school systems are not functioning very well, that they do not provide as good an education as a lot of the parents had.

Again, we are not against teachers, we are not against the services, we are just saying that there are ways of providing services in a time when revenues are going to shrink, where we can still preserve those services. I think we have to get out of this old paradigm where everything is either black or white, cut and slash, or raise taxes and borrow money.

The third option is, let us do things differently, and the school system—my sister is a teacher, my brother-in-law is a teacher, my mother was a university professor. I am not attacking teachers or university professors, I

am just saying, for example, we have a strike here where we have professors earning over \$100,000 a year drawing down two or three pensions, and they are on strike.

That is just intolerable from the taxpayer's point of view. We have to get away from these old-style public-sector institutions which are run for the staff and the employees and the unions first and the taxpayers last, and that is all we want. [interjection]

Mr. Chairperson: I am not wanting to cut you off in the slightest part, Mr. Ashton. I would remind the committee members that there are a number of other people who wish to present tonight, and the hour is advancing, and I would encourage committee people to direct their questions to issues of clarity and edifying the presentation, and I would invite you to continue, Mr. Ashton.

Mr. Ashton: Mr. Chairperson, I would suggest that perhaps the old paradigm is to suggest that in the good old days things were better and if we could just roll back the clock we are all going to be better off, but we can debate that.

I want to ask some further questions though, because you keep making reference to public services being inefficient and archaic, and I note from one of the documents put out by the Taxpayers Association that you are talking about privatizing Manitoba Hydro.

I am just wondering how you can explain the fact that Manitoba Hydro produces the lowest hydro rates in North America, provides revenue to the government in the form of taxation, water rentals, and is currently making in terms of some of the most recent developments including Limestone about \$100 million a year in profit.

Why your organization would want to privatize an organization, which I would suggest if it was compared by any stretch of the imagination with any private-sector organization, is doing quite well. I mean, what more do you want? The lowest rates, producing revenue for the government—what is inefficient about Manitoba Hydro?

Mr. Holle: What you confuse, and this is a common problem on your side of the bench, is ends and means. We want the power, we want the services, but we do not care who provides the service, and you do not have to have politicians and governments and interest groups owning these assets, because they will still provide tax revenue and the government can regulate those things.

If you look at Ontario Hydro, they are looking at selling off pieces of it. It is happening all over the world. Only in the deepest corners of Africa do we find the philosophy that the government has to run and own everything. Look at eastern Europe, okay? Everybody is getting out of the business of owning property, and again, for some people it is an ideological thing, but in Canada, for example, most of the telephone companies are in the private sector, and we have two or three that are still in the public sector.

I would expect that down the road someday you will see the telephone company in the private sector, but it will start paying taxes. Right now as a Crown corporation it is a big corporation that pays zero income tax and again, let us just see, how do we accomplish those goals? Do we have to have a government with all these administrators running these so-called companies, Crown corporations?

I do not see why a government should run a seed company. What is this? You know, hey, there was a debate actually over McKenzie Seeds once upon a time.

Mr. Ashton: As soon as I asked a specific question, you broadened it. I pointed to an example of one corporation you said should be privatized. I am just asking why the people of Manitoba, just assume for a moment we are the shareholders, if you want to put it in an analogy that is a business analogy. Why would the shareholders of Manitoba, assuming that is the analogy you are using for Manitoba Hydro, why would we privatize it when it provides the lowest rates in North America and provides taxation revenues and a profit to the government?

Surely when it is working right now, why? I am just asking the question. Is it ideology? If it works, why do you want to sell it off? This is, by the way, in one of

the recent documents from the Taxpayers Association, privatize Manitoba Hydro.

Mr. Holle: You talk about ideology. Ideology is having governments stray from their core business of providing a social net, et cetera, and start running seed companies and power companies and telephone companies. It is just not, in these days when you have competition, and what is happening in the hydro business is that you are seeing a split between the power generating asset and the transmission asset.

I can see the transmission asset held by the people, so-called, but there is no need to have governments generating power. If that was in the private sector, and this happens all over the place, it would provide a lot of tax revenue to the taxpayers. Why would we bother having government people running these so-called commercial enterprises? We have tried that. It does not work. I think it is very old-line ideology that we think in terms that the government should be running commercial assets.

Mr. Ashton: Well, that is okay, so we understand the Taxpayers Association basically wants to privatize all private businesses. We can agree to disagree with— [interjection] Well, you just said that government should not be straying from their key mandate which is to provide social service. It should not be in business running seed companies, Hydro.

Let me rephrase then. What private business would you see the government of Manitoba having any involvement in? I talked about Hydro. If not Hydro, if not MTS, is there anything the government should run in the way of Crown corporations?

Mr. Holle: I would say that, given the political culture of Manitoba, we have probably some things should be run by the public sector, but if you look in other places all over the world the general trend is that politicians and bureaucrats are getting out of the business of running commercial enterprises, and that is hard reality.

We have this little island here in Canada where we have these romantic notions that governments can run assets. Who cares who runs the assets as long as we get good prices and we get a tax revenue off the thing?

Mr. Ashton: Perhaps if we can get into this later, I would like to know, because my understanding of what you have said is, we should not be involved in the public business. Now you are saying that we should be involved potentially in some. You have publicly said that we should sell off Hydro. I have the release from the Manitoba Taxpayers Association. I am just trying to get some clear idea, if it is nothing, if it is only some Crown corporations, I would just like to have that on the record because you made a rather sweeping statement earlier about governments not getting away from just basic health and social services.

Mr. Holle: What I was saying is that the general trend around the world everywhere, everywhere, sir, is that governments are redefining what their core business is. Okay? They provide certain services well, and I agree with CUPE on that. Okay? I would say things like we had in Saskatchewan, potash companies. Here we have Hydro, Telephone. Those things will eventually end up being run in the commercial sector, and I do not know why you are trying to paint this as some kind of extreme ideological statement. It is just happening everywhere.

Mr. Ashton: Well, Mr. Chairperson, I do not mind getting into Saskatchewan, and I know you have some background in Saskatchewan, and given your background in Saskatchewan, I can understand your concern about some of the abuse that took place with the Devine government in Saskatchewan in terms of the public sector. I just want to suggest that here in Manitoba the experience of Manitoba Hydro and MTS does not fit into the same ballpark as the Devine government.

Mr. Chairperson: You have a question, do you, or is that an observation?

Mr. Ashton: I have a question, but I want to give the opportunity to Mr. Holle to respond.

Mr. Chairperson: Mr. Holle, would you care to respond to the remarks? I am not sure if there was a question there, but—

Mr. Holle: Could you just repeat that last remark, what you just said?

Mr. Chairperson: Mr. Ashton, I believe some of your remarks got lost in the record—if you could perhaps repeat your question.

* (2210)

Mr. Ashton: You made reference to Saskatchewan and what had happened there, and I know you have some experience coming from Saskatchewan—

Mr. Holle: I worked in the public sector—

Mr. Chairperson: Mr. Holle, just for purposes—and I have been addressing questions to you so that the Hansard people can switch the microphone over to you. So, if you could wait until Mr. Ashton has finished his question and not enter into dialogue, because it is very difficult for the reporter to pick it up, and then wait for my recognizing you so that the microphone can be switched over, then the record will assume some clarity. I would invite you now to respond to Mr. Ashton's last comment.

Mr. Holle: What a lot of people are surprised about is that in fact I have worked in the public sector. I know that civil servants work hard. I know that it is tough often fighting with politicians and interest groups. I am not against the civil service. In fact, I think a lot of them are very hardworking. Okay? I speak to a lot of this material as someone who has been inside the civil service, who has seen a lot of waste, who has seen bad spending, who has seen some unfortunate things.

I am not against the public sector. Again, everything is too simplistic. You know, you want to sell off everything or you want to have everything in the public sector. I think there is a happy mean, and it is shifting away from government operation and ownership of a lot of assets. You are going to see government funding services, government regulating things, but you are not going to see governments operating commercial enterprises to the extent that we have seen it.

Mr. Ashton: So a lot of your perspective is coming from the experience of having worked within the public sector, within the Devine government in Saskatchewan rather than any specific criticisms of—the reason I was asking that is because, I mean, I do not blame you. I

think anybody who was in Saskatchewan during the Devine government has a bad taste with the way the public sector was operating, but is that really relevant to a Crown corporation like Manitoba Hydro, which is one of the most efficient providers of service in North America?

Mr. Holle: You do not seem to understand. You have an ideological fixation that the government has to operate this thing. We are not against Manitoba Hydro. We think that Manitoba Hydro would actually flourish if we did not have it operated in the political sector. Okay? Now, you laugh about that, but I talked recently with one of the original founders of the NDP in Manitoba, and he told me that Manitoba Hydro, had it been a private company, would be a company that would be probably 10 times as big as it is today and that it was a mistake to keep it within the public sector. I do not know why you have this fixation that these things have to be run by government departments.

Mr. Ashton: All I did was talk about Manitoba Hydro. I think it is just common sense; if it ain't broke, don't fix it. You know, quite frankly, reading some of the rest of the brief, I am quite surprised that you would accuse anyone else of an ideological fixation because I think you have an ideological perspective as much as anyone here, but that is a debate rather than asking questions.

I would like to ask a further question, and that is in terms of efficiency again, because you referenced the south in terms of how efficient the south is, the Americans, but also our biggest expenditure in government is health care. We spend upwards of 5 percent less of our GNP on health care than the Americans do. We are more efficient. One of the reasons is because we have public medicare. Now, you can call me ideological for supporting medicare. If that is what supporting medicare makes you, I will admit to it. I am an ideological person. I believe that public health care is positive.

I am just wondering again in the health care sector, because this is one of the biggest components, and, by the way, when you include taxes in the United States you also, if you are going to make a fair comparison, have to include health care premiums.

Private corporations such as Chrysler and GM, for example, have in many cases located jobs within Canada, because it is cheaper taxes and health care costs for them to locate in Canada—because we are more efficient—than it is in the United States. So I am wondering if you would not then agree, since our health care system, at least, and, of itself, is more efficient than the United States, that we should not do whatever we can possibly to keep it efficient, which is because it is a public program compared to the United States. We can argue about making it more efficient. I mean, that is fair comment, I agree with that, but why would we not keep that as well?

I mean, we talked about Crown corporations before, which is part of Canadian history and economic development. Why would we not keep something like medicare, which is efficient and far more efficient than the United States, within public hands?

Mr. Holle: You are trying to paint me in the corner of trying to destroy medicare. It is sort of a neat trick here.

If you look around the world again to other places, there are a lot of things that we can learn. The problem we have with our health care system, frankly, is that we have a lot of monopolies operating in those things. We could see a lot of things: contracting out, privatization. Those are not words that you probably agree with, sir, but there is lots of room in the health care system to make changes.

I have somebody in the neighbourhood who had to have a heart operation, and she had to wait for quite a while—and, okay, you can talk about this is a low-cost system. Someone might die, though, on the waiting line, so how do we get rid of waiting lines? How do we get better value for money? How do we get a better product?

We are willing, at the Taxpayers, to look at all sorts of options, including having private-sector options out there. But I think we are getting off track here again.

Mr. Ashton: There are many other people who want to ask questions, but the reason I have been asking this line of questions is because I have read a lot of the

material that is put out by the Taxpayers Federation. You have talked about rolling back education expenditures, you have talked about getting rid of Crown corporations, you talk about redefining poverty, and you have also put out in the brief—

Mr. Holle: That is not true.

Mr. Ashton: Redefining poverty, I can show you the article.

Mr. Holle: Yes, that is true.

Mr. Ashton: Also, you produce these figures showing 1969 and 1994, and I would just submit that perhaps—and by the way, the reason I am asking this question again in some great detail is because I believe this bill was drafted by the Taxpayers Federation virtually in its entirety. So I think it is important for people to know the full agenda.

But when you suggest that we can somehow roll back the clock, I am wondering if you do not feel—and I tell you in the 1960s in this country—we did not get medicare until the late 1960s, 1968, to be exact. So if you roll back the clock before 1968, we do not have medicare, we have a system much more like the United States.

If you roll back the expenditures on education, I do not know where—and you say, well, it does not have to reduce services—you are going to find those particular services. So I am just wondering, you know, when you talked before about the goal of the Taxpayers Federation, you mentioned about reducing expenditures even by as much as 20 percent—how unrealistic.

I think, by the way, it is old—think to think that you can magically just say, well, we can reduce expenditures by up to 20 percent, we can roll back the clock, but nothing is really going to change. I mean, is not the reality of the fact that Canada is a very dynamic country, and Manitoba is a very dynamic province? We can debate, and I think it is fair ball in terms of taxpayers. There is a definite sense out there of not increasing taxes. That is a fair ball, but a lot of your comments have been directed towards spending.

I would just like to finish off by asking this one question, because the United Nations has said we have the best quality of life in Canada. By the way, Switzerland is not listed as the wealthiest country. Canada is the second wealthiest; Australia is the wealthiest according to recent UN statistics. So we are the second-wealthiest country, we have the best quality of life according to the United Nations, and many of the factors underlying that, by the way, are our education system, our health care system, the kind of services that we provide efficiently, according to the United Nations, to our people in this country.

* (2220)

I am just wondering, do you not feel that there should be some recognition of that, rather than simply trying to suggest that somehow things were better 25-30 years ago? Is it not important also to focus on some of the positive features about the kind of public services we provide in this country rather than the kind of, I would suggest, simplistic comments that you made earlier, which seem to suggest that nothing in the public service was efficient and we would be much better off if we rolled back the clock to 30 years ago?

Mr. Holle: That was a long question.

First of all, I repeat, we are not against public services, okay. Number 2, if you look back at 1969, Canada basically was in a very strong financial situation. Today, if you add up all the levels of debt from the feds, the provincial, your Crown corporations that you admire so much, we have a debt which is over 100 percent of GDP and a growing portion of what we are spending is going for interest payments and the federal government is spending 35 percent to service past spending on these so-called wonderful systems. A lot of the provinces are running huge debts still. Manitoba has balanced its budget, but if you look at Ontario and Quebec, they are spending a lot of money.

We can look at today and say, look, we have built a good system but the question I have is, is it sustainable? There are so many groups there. You throw the word "simplistic" around. It is simplistic to just continue with the status quo, to borrow more money, to allow taxes to go up and destroy the tax base

that pays for those services. What I am saying is that back in 1969 things were not that bad and we were not paying 35 percent for interest payments on past spending. Today taxpayers are spending a lot of money and they are getting back a much smaller portion. If you figure in the fact that these things are run as they used to be a long time ago—and they are not run very well—we are not getting value for money.

From our point of view, we want the services. It is not an ideological thing. What we see as an advantage in this act is that it will, by putting certain controls on the system, force people to start looking at different ways of providing public services. The Taxpayers Association wants the services and you are selling snake oil, sir, if you are going to go out there and say we need higher taxes and more borrowing and we are going to keep all these wonderful services. People do not believe it. The balanced budget legislation here is extremely popular out there with the common guy, the common girl who pays for the government, not from the groups that do well working in the government.

Mr. Chairperson: Mr. Lamoureux, do you have a question of this presenter?

Mr. Lamoureux: Yes, I did, Mr. Chairperson, actually, a few questions.

I would ask the presenter in terms of if you had a business, and many of the individuals who are supportive of your organization do in fact have businesses, and you produce a particular widget and at some time you are not going to have the same sort of sales, no doubt, depending on the business cycle, as when the economy is doing relatively well, let us say, and at times I would ultimately argue there is a need for businesses to have a deficit, an annual deficit, at least in order to be able to keep the business together in hopes that next year there is going to be a brighter future for their particular widget. I wonder if you would agree that in fact many businesses throughout Manitoba operate on that basis.

Mr. Holle: What I would say to that is that again, if we go back to the old-style 1960 Keynesian theory which is still kicking around, the theory was you ran deficits and you ran surpluses. The problem we have

is that we run deficits year after year, and those deficits grow, and those deficits are now feeding the debt and it is a very vicious circle. What is happening, our services are being crowded out because of running a deficit year after year.

You are referring to some degree to the Saskatchewan balanced budget law where they have some flexibility to run deficits. What I would argue is if you were a household and you went to your bank and you said, hey, I cannot pay my bills, give me break, let me borrow money for three, four years, they are going to show you the door. The only way that governments can get away from it is that they can go out and raise taxes, and one of the nice things about this act is that it forces the system to get away from those easy revenue options. That is why we like this act.

I would like to point out, there have been some hints here that we wrote the legislation. We were consulted by the government; the government consulted different groups. We suggested certain things which we believe were useful to be an effective piece of legislation. The government listened to some of those things, and we commend them for it.

Mr. Lamoureux: Mr. Chairperson, I would ask actually a very specific question, and that is, would he not agree that there are numerous businesses that operate on the assumption that not every year is going to be a prosperous year and at times there is a need to borrow money, and it happens quite often? Would he not agree with that?

Mr. Holle: I would say that in most cases businesses that run deficits go out of business eventually. Banks do not lend them money. The only reason we have it happening in the government is that they have the taxing power that they do.

I would say that this whole thing about flexibility really is an excuse for certain groups out there to keep their power to be able to have taxes go up and to go out and borrow money.

Mr. Lamoureux: I want to talk about those businesses which I believe are very successful but at times require

to borrow money in order to pull them through to the next budget, if you like, and ask again for an opinion.

If they were forbidden to borrow money, these successful businesses, do you not believe then in order to balance their budget that they might be put in the position of laying off good quality individuals or cutting back or selling off products or the capital machinery at a reduced rate in order to not have to go back to the bank when, quite frankly, it might be easier to be able to go to the bank, especially if you are a manufacturing company and you have a lot of contracts coming up in subsequent years? Is that not a fair assessment? I would think the majority of businessmen would agree with that statement.

Mr. Holle: If you look out there, the experience with business, and we had a lot of restructuring during the 1980s, what they did was, they looked at their core business. Sometimes they would sell off land and they would sell parts of the business which were not core to their business.

We again look at this legislation and if the government has some assets which could be sold to pay down the debt or whatever, we have no problem with that.

Again, we are very suspicious of giving the system lots of flexibility. It has had lots of flexibility, and look what has happened. We have a financial disaster on our hands and our tax base is in trouble and our kids are up to their ears in debt. We are quite happy to see the strict feature of the law in that case.

Mr. Lamoureux: Mr. Chairperson, I would ultimately argue, of course, the presenter talks about flexibility, that this particular piece of legislation does not have flexibility, and I could not imagine anywhere in the private sector where a business would run under the same sort of assumptions as in this particular piece of legislation. I think it would be bad business personally.

I want to pick up, the Manitoba Taxpayers Association believes in fair taxation, not only keeping taxes down low, but also fair forms of taxation?

Mr. Holle: What do you mean by fair taxes?

* (2230)

Mr. Lamoureux: I will give you a specific example: education tax. We currently pay a significant percentage for costs for education through property tax. Many, including myself, argue that we should be paying more education tax through general revenue because it is a much more progressive tax as opposed to a property tax.

Would you not agree that the financing of education, much like health care, is far better off to have more of a progressive tax like a personal tax as opposed to a property tax?

Mr. Holle: Personally, I think that the progressive income tax, there are a lot of problems with it. It discourages people from working, for example.

Can you repeat the question?

Mr. Chairperson: Mr. Lamoureux, before you repeat the question, could I just repeat my admonition of earlier hours that I would urge all the members of the committee and the presenters that the questions now are not to be in the form of a debate or an argument, but rather I would ask everybody to direct their questions to points of clarification from the presentation.

We have, of course, been quite flexible this evening. I think that always is helpful for good and honest exchange of idea, but if you could at least keep as a focus the concept that we are looking for further clarification and edification of the presentation from Mr. Holle in the questions that you have in mind. With that, I would invite you to carry on.

Mr. Lamoureux: I ask in terms of question, if the opportunity is there to implement fair or more progressive forms of taxation, would, in fact, the Taxpayers Association support that? Then I used the specific example of the education tax that currently we pay and have continued to pay more and more education tax on the property tax.

I would argue and believe that it is a much more progressive way of taxation through general tax or your personal income tax, something which is being limited

in terms of being able to increase. I would ultimately argue, a majority of your membership would be in favour of having that more progressive, fairer tax applied to finance education.

Mr. Holle: In general, the people who support the Taxpayers Association would say that the first priority is to get better value for money out of the system. You talk about the school system. There is huge opportunity there to save a lot of money. Again, we can talk about tax policy, et cetera, but our whole thrust is, we want to see the expenditures become more effective and more efficient.

We can talk about, should we put education onto the income tax, or whatever. We think that priority No. 1 is to go in there and look at the spending and get better value for money. We can do that by measuring things, having performance measurement, having competition, a whole bunch of things. I am not satisfied with the answer either.

Mr. Chairperson: It is getting late.

Mr. Lamoureux: Mr. Chairperson, I will not pursue that but ultimately to indicate that I do believe that there are all different forms, many different ways, of raising revenue for the government. This is limiting one of the ways which is ultimately much more progressive than other ways.

Point of Order

Mr. Leonard Evans: Just on a point of order, I know we all delight in debate, and I am probably the worst offender in wanting to debate rather than ask questions, but the presenter has been there well beyond 20 minutes, I think triple the amount of time we were going to put on as a limit according to the government House leader (Mr. Ernst). I agree that we should be flexible, but we have gone way beyond flexibility.

The member tends to want to debate and make points of view. As much as we would like to hear what Mr. Lamoureux has to say, I think he should be confined to ask questions, and we should get on to the next presenter.

Mr. Lamoureux: On a point of order.

Mr. Chairperson: Excuse me for a moment, please. Thank you very much, Mr. Evans. I believe Mr. Ernst had his hand up.

Mr. Ernst: On the same point of order, Mr. Chairman. I tend to agree with the member for Brandon East, but it is fine, well and good for he and his colleagues to harass Mr. Holle here for an hour and then pick on Mr. Lamoureux for doing the same thing. I think that is highly irregular and certainly not very fair.

The fact of the matter is, we did agree to a 20-minute time limit on the presentation. We did not agree to any time limit on the questions and the harassment that goes on from the members opposite.

Quite frankly, I think Mr. Holle has been extremely patient in responding to the kinds of things that have gone on over the last hour and a half.

Mr. Chairperson: Mr. Lamoureux, on the point of order.

Mr. Lamoureux: No, I am going to continue with my question, if that is okay, Mr. Chairperson.

Mr. Chairperson: No, I am sorry, we have a point of order on the floor. I have not ruled on it at this point. If you have anything to address to the point of order, I would invite you so to do. Otherwise, I will rule.

Mr. Lamoureux: I will welcome the opportunity. I know that our presenter has been there in excess of well over an hour, and I would ask—hour and a half—for the same sort of courtesy that was provided to other members of the committee when they posed questions. In fact, I believe I might have been asking questions, no doubt, less than 10 minutes. I have been sitting patiently as the New Democratic caucus has been asking for in excess of an hour. I have absolutely no intentions of prolonging this, just to have one, possibly two additional questions. I understand that there might even be other members that still want to ask questions.

Mr. Chairperson: I would respond at this point, Mr. Lamoureux, in the form of a ruling that questions

should not be in the form of a debate but rather that the questions should be posed to the presenter in the form of requesting information or clarification on his presentation.

I appreciate your response, and you have been very patient, I recognize that, and I thank you for that, but I would certainly urge you at this point to direct your questions in the form that I have suggested. I certainly would welcome, if you have one or two questions more to go, that you would wrap up your questioning with that number which you have indicated as what you have in mind.

With that, I would invite you to continue.

* * *

Mr. Lamoureux: In fact, I am sure you will find that the questions I have asked have concentrated on two areas, the income tax and the whole question of the referendum, and the other one about annual deficits.

The reason why I asked those questions is that in your presentation you have a page where you have Alberta, Saskatchewan, Manitoba and New Brunswick. Manitoba is given an A-plus; New Brunswick is given an F; and Saskatchewan is given a C; Alberta is given a B.

I look at that and it does tell me a lot in terms of where it is that ultimately the Taxpayers Association might be coming from on this particular issue but, suffice to say, does Manitoba score so well because of the referendum and the annual deficit? Is that the reason why they had the A-plus from this association?

Mr. Holle: There are a number of reasons that it is very good. In our opinion, the nicest or the most interesting feature about this legislation, the thing that we like the most is the taxpayer protection feature, which says that if the government is going to raise taxes it must get the permission of the taxpayers. I think that is a precedent-setting feature in Canada and, yes, that is a very important thing.

The other thing in this act is that there are consequences for the politicians if they start to run

deficits, that they get some salary adjustments, let us say, and that will help focus the mind.

There is a complete—I could read this for you but—

Mr. Lamoureux: No, no. That is okay.

Mr. Chairperson: And your second question, Mr. Lamoureux?

Mr. Lamoureux: My second and final, I am sure you will be happy to hear.

An Honourable Member: Not nearly as happy as Mr. Holle.

Mr. Lamoureux: There are still going to be more questions, you know.

An Honourable Member: Now he has forgotten.

Mr. Lamoureux: There was a train of thought and it is going to come right back. Sometimes when you try to get that train to come back it goes further and further down the track, unfortunately.

Mr. Chairperson: Mr. Lamoureux, Ms. Cerilli has indicated that she would like a question. Perhaps you could defer the question?

Mr. Lamoureux: And I reserve the right to still ask that one final question.

Mr. Chairperson: You have that one final reservation.

Ms. Marianne Cerilli (Radisson): One straightforward question: Do you and your group support the notion of progressive taxation based on the ability to pay, to create a pool of dollars to fund health and education programs that would be equal in quality and availability for all citizens? Why or why not?

Mr. Holle: Another long question—

Ms. Cerilli: No. It is really very—

* (2240)

Mr. Holle: I think there are some practical difficulties with ability to pay. A lot of people are saying that rich people should pay more. The very, very tough reality is that rich people are mobile and that they will move if taxes are too high.

I have this debate often with somebody who is from the traditional left. If you want to penalize people with money that are big in the business community, for example, they simply move their jobs and their investment and all that elsewhere and you end up losing.

You know, it is nice to talk about it, but we are in a very, very tough world right now, and I can run a business from New Zealand, for example. It is not going to cost me a lot of money, and they have got lower taxes and they have got nicer winters. That is what is going to happen.

We can have nice, high taxes and we can talk about these sort of feel-good terms, but the harsh reality is that you cannot have high income taxes in the future. That is the reality, and I am not arguing that we should have lower taxes or higher taxes. That is the reality, and some people just do not want to listen to that. If you have high taxes, people move away, you have a smaller tax base, you have fewer services.

Mr. Chairperson: Mr. Lamoureux, has the train got back on the track or is it still in the switching yard?

Mr. Lamoureux: Well, now that you mention it, Mr. Chairperson, I would not want the wrong thing to be interpreted in Hansard, you know. I think that the evening could have gone by without my posing the last—it was more of a statement than anything else, and that is that the concept of balanced budget legislation and the perception that the public might have as a whole I think would in essence be quite supportive and could very well be quite supportive.

I do believe that the Taxpayers Association in the province of Manitoba has actually missed the boat in terms of how extreme they are suggesting that this legislation should be going and disagree wholeheartedly with the assessment for the reasons that

I alluded to earlier. I appreciate the presentation being made.

Mr. Holle: I would question the use of the word "extreme." I think if you are out there in mainstream Manitoba, people that work and pay taxes and are not connected in the system and do not have special laws and privileges like a substantial segment has are very happy to see that finally there are some protections for them, that the political system and the public sector cannot run wild and raise taxes and borrow money the way it has over the last 20 years.

Again, I would like to wrap it up by saying, if you talk to the average taxpayer out there, they like the fact that this is an effective balanced budget law, and they like the fact that they have to be consulted if taxes go up. They like the fact that their politicians have some type of consequence if they allow the budget to go out of control and deficits to be built.

On that, I guess it was an hour and 15 minutes.

Mr. Chairperson: It has got to be a marathon, and we thank you very much, Mr. Holle. I deduce that there are no further questions. Thank you for your presentation tonight.

The next presenter tonight on the list is Vera Chernecki. I have been advised that Ms. Chernecki is not available tonight and that Maureen Hancharyk will be appearing on behalf of the Manitoba Nurses' Union. I would ask, in the spirit of flexibility, that as Ms. Hancharyk has patiently waited throughout the course of the evening, although she may exceed our eleven o'clock deadline, we allow her the courtesy to proceed.

Is that the will of the committee?

Mr. Ashton: I agree with that, and I wonder too if this might be the last presentation, just for those that—rather than people staying around.

Mr. Chairperson: All right. Ladies and gentlemen in the public, this will be the last presentation this evening. Of course, you are obviously more than welcome to stay and listen to the presentation. It will be, I think there was discussion earlier—

Mr. Ernst: Mr. Chairman, as government House leader, I can inform the committee that I intend to call the committee again for tomorrow at 1:30 p.m. here in this room.

Mr. Chairperson: Good. So we would be open to presentations then from the balance of the list tomorrow, and those would be Betty Edel, Linda York, John Loxley, Mark Francis, Diane Beresford, Darrell Rankin, Ian Fillingham, Dan Kelly, Peter Olfert, Lawrie Deane, Paula Prime, Ron Schmalcel, Sid Frankel, George Harris, Elizabeth Carlyle, Nancy Paterson and Pat Isaac, Robert Brazzell, John Wiens. Victor Olson has submitted in writing. So those would be the presentations tomorrow at 1:30 in this room.

Having said all of that, Ms. Hancharyk, would you please proceed. Do you have a written submission this evening, ma'am?

Ms. Maureen Hancharyk (Manitoba Nurses' Union): No, I am sorry, I do not, but I can provide that tomorrow.

Mr. Chairperson: Wonderful. Thank you very much. If you would proceed, that would be very fine.

Ms. Hancharyk: I am presenting on behalf of the Manitoba Nurses' Union, which represents 11,000 nurses working in various settings across Manitoba.

First of all, I would like to thank the members of the committee for allowing me the time to present our union's concerns regarding the legislation, The Balanced Budget, Debt Repayment and Taxpayer Protection Act.

I want to talk about the impact of this legislation on nurses and on our health care system. Health care spending, as many others have pointed out tonight, is the largest single expenditure undertaken every year by the provincial government.

Government allocates about one-third of its resources to health care. So, obviously, we feel that any changes in government spending will affect health care more than any other program that government administers.

Sound fiscal management is essential in government as it is in health care. Nurses are not opposed to good management of resources. Quite the contrary, the Manitoba Nurses' Union has made many, many contributions to public debate on how to improve the cost-effectiveness of the way we deliver health care.

Health care facilities in Manitoba are accustomed to fiscal restraint. In 1988, the provincial government announced it would stop funding the budget deficits of health care institutions. Cost containment is a part of nurses' everyday vocabulary. Nurses and other health care providers live with the need for fiscal responsibility every day. Yet we see with this legislation that living within our means in health care is not enough.

Despite the fact that health care requires no more of Manitoba's economic resources than it did a decade ago, the government believes it must cut spending. The reality is that per capita public spending on health has been shrinking for several years. Per capita public spending on health care in Canada declined from \$1,425 in 1991 to \$1,394 in 1993. There is absolutely no rational justification for further cuts to health care spending.

The government denies that this legislation will cause cutbacks and hardship. However, we feel this cannot be the case for many reasons, and I wish to stress three of them.

First, the act requires more than balancing the budget each fiscal year, which is in itself very restrictive. The act also requires setting aside large amounts of money to retire the debt. Although we are currently financing public debt within a reasonable proportion of total government expenditures, 11.9 percent in '95-96, the current government is stressing the need to eliminate the overall debt. This is not necessary or desirable if it means the loss of vital social services like health care, which it obviously will.

* (2250)

Number two, the government is not accurately presenting Manitoba's fiscal situation to the public. Critics from the Dominion Bond Rating agency to the

Provincial Auditor have pointed this out. Questionable accounting practices have allowed the government to claim it has balanced the budget when it has not. Just as serious is evasiveness around the future impact of Bill C-76, the federal Canada Health and Social Transfer, which replaces current federal-provincial funding arrangements for health.

This legislation will cut close to \$400 million per year from funding for health, education and social assistance in Manitoba and will end all federal cash contributions to health care in 12 years. We would wish to see a concrete plan from the provincial government for maintaining health care services without federal contributions. Within the framework of balanced budget legislation, it appears impossible that there will not be significant cuts in all social programs.

Number three, we feel that this legislation prohibits certain tax increases, which it does, but it certainly does not prohibit user fees. Manitobans may not wish to pay higher income tax rates, but user fees and other regressive forms of revenue generation are still open to the government, as are cuts to support programs like Pharmacare. These are, in truth tax increases, and they will hit the ill and the poor hardest.

Manitobans are not being given fair and true representation of what the legislation before us will mean to their quality of life and health. Unionized nurses have a number of very serious concerns. We foresee a great loss of nursing jobs and a continuation of the devaluation of nurses' work, which is already underway. We expect deteriorating health and well-being among nurses themselves. The physical infrastructure of hospitals and nursing homes will decline.

Without a strong provincial role, meaningful improvements in health care delivery will be more difficult. Long-term strategies for health care policy will suffer from a short-term focus. For example, new preventative measures requiring short-term commitment of resources for long-term gain will be difficult to achieve in a cost-cutting atmosphere. The reduction of other social services such as education and social assistance will also be felt in health care. The equitable distribution of income and resources is one of

the most important contributions public policy can make to health. If social programs are cut, the health care system sees the results in poor mental and physical health.

The greatest risk of all in the approach being taken by the government is the privatization of health care. Private spending on health care increased from \$482 per capita in 1991 to \$502 in 1993, and as Steven Lewis, a member of the National Forum on Health, stated, prices in the private health sector tend to rise faster in the absence of the bargaining and regulatory power of government. As the private sector moves in to provide services cut by governments, individual health care costs, whether they be paid as taxes, directly out of pocket or through private insurance premiums, are going to go up. Without government control of health-care dollars we will all pay more for health care.

In conclusion, we wish to emphasize that balanced budget legislation will not solve the problems we are facing in health care; it will only worsen the situation. The government has failed to implement progressive health care policies such as community-driven primary health care, which would provide cost-effective alternatives to current health care delivery. The government's focus on short-term cost cutting will not result in long-term improvement. Improvement will not occur in a demoralized, deteriorating health system. Improvement requires investment in people, in programs and in the future. As many others tonight have said, families and individuals borrow to provide long-term needs. This is how we purchase our homes, how we finance our education. We plan wisely. Government should do the same.

There are alternatives to slashing social programs and limiting the role of government. The Balanced Budget, Debt Repayment and Taxpayer Protection Act is portrayed as a benevolent piece of legislation essential to Manitoba's fiscal health, yet it imposes severe limitations on the ability of the government to plan and provide for the social and economic needs of its citizens. We need strong leadership in terms of economic and social hardship. We need government policies which articulate compassion and show a willingness to invest in our people. This legislation

reveals a lack of faith in government and in the democratic process, and for these reasons we wish to see the legislation withdrawn.

Mr. Chairperson: Thank you very much, Ms. Hancharyk.

Are there any questions of this presenter?

Mr. Sale: Mr. Chairperson, through you, Ms. Hancharyk, what evidence are you already seeing of reductions in quality of services that your members are telling you about as a consequence of the cuts that have already occurred in our health care system?

Ms. Hancharyk: There are the obvious ones, closing wards, closing beds, laying off nurses and, I guess, delegating nurses' work to unqualified workers, all resulting in a poorer quality of care. Nurses are telling us that they do not have time to do any teaching, to offer any psychological support. Patients need psychological support. Mothers are going home 12 hours after giving birth with no teaching about breast-feeding. We know the situation that is going on with the emergency rooms right now, I mean, it is in chaos.

Mr. Sale: Mr. Chairperson, often in discussions with nurses over the years, they have indicated, to me at least, that if we were really interested in knowing how to improve productivity—something that the previous presenter talked a lot about—we would talk to nurses who knew something really about productivity. Could you speak briefly about your sense of where there are real gains to be made in the health care system that you think could be positive and could help us preserve the system?

Ms. Hancharyk: Obviously community health centres. Right now the system is just a system that treats illness. We need to have community health centres where prevention of illness and promotion of healthy life styles takes place. We believe in an expanded role for the nurse, and this is not to say doing other people's work, but doing the work that we are already skilled to do and that we do in fact do in isolated regions up North and even in long-term care where there are not physicians present all the time. We need increased home care. I think that we need to look

at salaried physicians. I mean there are lots and lots of ways to save money in the health care system, but nobody seems to be listening to what we are saying.

Mr. Sale: I just have one other question, Mr. Chairperson. We learned recently, Ms. Hancharyk, that the government had reduced its expenses on Pharmacare by about \$14 million in the most recent year. I know that many seniors, and I think that perhaps you have nursed in nursing home settings, have high drug costs. Could you comment on whether you are seeing or are having reports from your members about problems related to accessibility to needed medication?

Ms. Hancharyk: Definitely we are, and I can recount that from my very own experience. We have patients that need medications and the doctor, because of either the home's position or the Pharmacare guide in what is covered and what is not, is not making those medications available in the institution. I have heard lots of stories through membership on the Manitoba Medicare Alert Coalition about seniors in the community that are having problems as well.

Ms. Cerilli: It is a very bleak picture that we have before us when we think of the increase in poverty, the reduction in supports through other social services and how that does, as you said, increase the demand on health care, and at the same time we are not moving to the long-term solutions. You talked about there will never be the smaller amounts of dollars needed to be invested in preventative measures that will have long-term cost savings, and I am wondering if you can give some examples of that.

* (2300)

Ms. Hancharyk: One example that I am aware of is that the cervical cancer screening system that could be set up in Manitoba would cost the government one dollar per year for every woman in Manitoba. Obviously, this would save countless numbers of dollars further on down the road. That is just one example. Community health centres, it has been proven—it has been documented in other studies that it saves health care dollars when you have community

health centres that are working on promotion of health and prevention of illness.

Mr. Lamoureux: Mr. Chairperson, I would ask the presenter, are you of the opinion, is there a need at any point in time for governments to have a balanced budget?

Ms. Hancharyk: Well, I believe that budgets can be balanced when times are good and that when times are bad, when there is economic hardship, that is the time when governments need to spend money.

Mr. Chairperson: Are there any other questions of this presenter?

Mr. Leonard Evans: Mr. Chairman, I thank Ms. Hancharyk for the excellent brief presented on behalf of the Manitoba Nurses' Union, and I can appreciate the frustration and concern that the Nurses' Union has because of the attack that is now being made on the health care system in Manitoba. Indeed, this legislation does provide a vehicle possibly for further reductions in health care spending. It is one thing to say, we will spend smarter; it is another thing to pull it off. It is very easy to be very glib and say, well, we will just get more for the money. It is nice to be able to do that, but it is much more difficult to achieve.

Specifically on that point, talking about Pharmacare, I had the pleasure of being with the government that introduced Pharmacare back in the early '70s. As a matter of fact, I was one of the ministers responsible for initiating it within cabinet. So that is very immodest on my part. At any rate, Mr. Chairman, the Pharmacare as such is a significant cost; nevertheless, the government has been trying to curtail expenditures there with higher deductibles, in other words, less assistance to patients. Does that not have an impact on patients, people who need medication (a) in not taking their medication and (b) possibly having an impact and causing those people to go into institutions and get heavier medical care than they would have otherwise? In other words, proper use of medicine is actually a preventative process, preventative measure.

Mr. Chairperson: Ms. Hancharyk, would you like a clarification on that question, or do you have the issue?

Ms. Hancharyk: No, I think I understand, and I think I agree as well. I think the figures are that 25 percent of the elderly live below the poverty line, and many of the elderly need medication for a number of chronic illnesses that elderly people have. If they are not going to take the medication, obviously they are going to get sicker, and yes, obviously they are going to end up in an institution, whether it is a hospital or long-term care or, more sadly in this climate, living in the community with no support.

Mr. Leonard Evans: Just one last question, were you suggesting that at some point or other in your brief or perhaps in answer to a question that it would be necessary to increase spending in certain areas of health care by way of investment to get a payoff subsequently which could reduce cost?

In other words, you have what may be called a hump cost. You know, you have to, if you want to reduce health care costs through the use of more community services, you still have to maintain hospitals, you still have to maintain certain expenditures, but you need additional funds, hump funds, if you can use that term, bridge funding—well, I had a deputy minister who always used the term "hump costs"—that you need to have in the short term at least this additional expenditure, and that you see this legislation being a constraint in that respect, constraining governments from being able to invest money requiring further monies to be spent in the short run in order to bring about savings and improve health care in the long run.

Ms. Hancharyk: That is exactly what we are saying. We believe that there should have been bridge funding in place a long time ago, that we would be actually realizing some savings now if bridge funding had been put in place to have community health centres.

If you can look after people in the community, it costs less than it does to put them into an institution. Not only does it cost less, but I think it prevents further illness. I mean, people want to be in their homes.

Mr. Leonard Evans: Just to clarify, did the presenter say the Manitoba Nurses' Union wanted this, requested that this legislation be withdrawn?

Ms. Hancharyk: Yes, we request that it be withdrawn.

Mr. Chairperson: Are there any other questions of this presenter?

Mr. Newman: Thanks, through you, Mr. Chair, for that presentation. I would have a question in relation to if the legislation were withdrawn, what would that do for the discipline which I trust you would feel is necessary to impose on legislators?

Ms. Hancharyk: I am sorry, I do not really understand what you are asking me.

Mr. Newman: Do you have any sense that there should be a discipline, self-imposed discipline, on legislators not to spend taxpayers' money improvidently?

Ms. Hancharyk: I think government should spend wisely and I think they should invest. I think that governments in the past have borrowed and spent wisely. A good example is a Tory Premier, Duff Roblin, who invested wisely and spent wisely and borrowed money to build the floodway which to this day helps half a million Manitobans.

Mr. Newman: Are you suggesting that legislation which sets a goal, short term and long term, imposing a discipline is a good thing or a bad thing?

Ms. Hancharyk: I guess I am not really understanding where you are coming from, but if you are talking about balanced budget legislation—

Mr. Newman: Well, let me take the pay equity legislation, just for an example. Was that sort of imposition of a discipline which could have been done by government without legislation a good thing or a bad thing?

Ms. Hancharyk: Could you give me an example of discipline, please?

Mr. Newman: Well, the pay equity legislation required government and the public sector to increase wages of people that had lesser salaries in certain

statistically identified situations than people of a different gender.

Ms. Hancharyk: You are asking me if I was for pay equity legislation?

Mr. Newman: No, I am talking about the discipline of legislation of that nature. That legislation was not necessary to achieve the result. It could have been done by government acting unilaterally or through the collective bargaining process.

Ms. Hancharyk: But that is not what happened.

Mr. Newman: That is correct. So my question is whether or not you take the view that that sort of method to impose discipline on government is or is not necessary.

Ms. Hancharyk: I believe in some situations and certainly in pay equity that that discipline was necessary.

Mr. Newman: So you thought legislation for the purposes of implementing pay equity in the public sector was necessary, but you do not believe this sort of discipline is necessary to impose on governments to guide spending of taxpayers' money over the short or long term.

Ms. Hancharyk: I would also like to point out that that pay equity legislation only affected 23 facilities in Manitoba and that the other nurses that came under the other facilities in Manitoba had to collectively bargain for those same pay equity increases.

Mr. Newman: So you are suggesting as long as it is limited in some respects, it is good; otherwise, it is not.

Ms. Hancharyk: I think your question is far too general, and I would have to debate with you—fully understanding what you are talking about, I would have to debate with you specific pieces rather than you just saying to me, do I or do I not believe that disciplining legislation is a good or a bad thing.

Mr. Newman: The other thing that I wanted to move on to for a moment is the solutions for the challenge of limited resources in the health care sector. You have indicated support for more home care. You have indicated support for more personal care homes, I take it. Am I right so far?

Ms. Hancharyk: I have not said anything about more personal care homes, but, yes, that would be a solution.

Mr. Newman: And more health and wellness centres, like Seven Oaks Hospital and Kinsmen Refit Centre, would that be something you would support as well?

Mr. Chairperson: I would like to interject at this point. I would invite the members of the committee to perhaps be addressing questions to the presenter for points of clarification and information at this point, and if, Mr. Newman, you would be directing your questions with regard specifically to the presenter's material that she presented tonight.

Mr. Newman: I was doing that, I thought, because the questioning from the members of other parties on the other side of the table was with respect to their rather cynical and bleak view of the health care system as a speculative product of this kind of legislation. What I am doing is simply trying to clarify what I thought were statements by this particular presenter that were supportive of the very initiatives which I believe the government has been implementing. I am talking in areas of home care changes, personal care home beds and health and wellness centres.

Mr. Chairperson: And your question, Mr.—

Mr. Newman: I trust you are aware of those initiatives of this government.

Ms. Hancharyk: I am so happy you let me respond to this one, because the Health and Wellness centre is a gym for the rich. That is all it is. It is not a community health centre; it is a gym for the rich people of Manitoba to pay a fee and go and work out. That is what it is.

Mr. Newman: That is your view of it. What about the Youville centre?

Ms. Hancharyk: The Youville centre, are you referring to the community nurse resource centres?

Mr. Newman: That is correct. Is that a positive development?

Ms. Hancharyk: Yes, that is a positive development.

Mr. Newman: And the work of the Kinsmen Reh-Fit Centre, is that a positive development in terms of cardiac rehabilitation, that kind of initiative?

Ms. Hancharyk: My knowledge of the cardiac Reh-Fit Centre is that it costs \$400 to \$600 a year to belong. That is a user fee. That is not what I am talking about. That is something that is a privilege for people that have had a cardiac problem, that have money.

Mr. Newman: You take issue with people in even the prevention area taking some self-responsibility and investing in a community service like the Kinsmen Reh-Fit Centre as a means of achieving access to cardiac rehabilitation programs?

Ms. Hancharyk: It is discriminatory and it is a two-tier system.

Mr. Newman: And that would be—

Mr. Chairperson: Mr. Newman, do you have any other questions then of—

Mr. Newman: I will conclude with this. So you would have opposition to consumer investment in that sort of access, not just limited to cardiac rehabilitation but other kinds of programs which would promote rehabilitation and prevention in the community?

Ms. Hancharyk: I do not see any difference between those two facilities that you cited and a place like Fit & Firm, which is a gym. I mean, I just do not see any difference.

If people can afford to go there for prevention reasons and for the government to tout those as being community health centres or whatever you are calling them is totally irresponsible.

Mr. Newman: That is probably where you and I would depart, because my position would be that taking more responsibility for your own lives and even investing in it is something that, given limited resources, all of us are going to have to bear a burden for. To expect government to do it at all is the very reason I would submit that balanced budget legislation is necessary.

Mr. Chairperson: Thank you, Mr. Newman. Are there any other questions of this presenter at this time? Thank you very much, Ms. Hancharyk, for your patience tonight and your very eloquent presentation.

Is it the will of the committee to rise at this time? So ordered.

COMMITTEE ROSE AT: 11:16 p.m.

WRITTEN SUBMISSION PRESENTED BUT NOT READ

Bill 2—The Balanced Budget, Debt Repayment and Taxpayer Protection and Consequential Amendments Act

The following submission is restricted to commentary on the provisions of the bill found under the headings of "Taxpayer Protection" and "Amendment or Repeal."

The referendum provisions found in the current bill under the heading of "Taxpayer Protection" are unprincipled and discriminatory, even by conservative standards.

It is not, however, because the referendum as a form of government is suspect and illegitimate in itself. There are many who would argue that referenda have never been more than the instrument of right-wing demagogues, or dictators seeking to cloak a power grab with the trappings of legitimacy. Indeed, this has often been the case: Hitler, for instance, held separate referenda to approve both dissolution of the Reichstag and Nazi annexation of the Sudetenland; Boris Yeltsin held a referendum to obtain sweeping veto powers over the Russian Duma while he still enjoyed popular

support; and Saddam Hussein, to the cheers of French fascists and Vladimir Zhirinovskiy, has recently won with over 99 percent approval a referendum to extend his term as president of Iraq by seven more years.

But it is my view that referenda may serve a legitimate purpose—for political progressives and conservatives—as a check on the abuse of power by a parliamentary majority. To the extent that such use of referenda agrees with the principles of political conservatism, I find myself in agreement with the principles of political conservatism.

In fact, it is in my view the main shortcoming of the referendum provisions of the bill that these do not follow the principles for the use of referenda, advanced forcefully by many political conservatives among others.

The paramount principle which the bill fails to observe may be called the Disraeli rule, after its first exponent, the British Tory Prime Minister Benjamin Disraeli. For it was Disraeli who argued that governments required the specific mandate of voters to any fundamental or constitutional change. Disraeli's argument, made at the time in opposition to measures for the separation of church and state, was based on the view that government actions which altered the character of the nation and the principles on which its institutions were founded could never be legitimate unless they enjoyed the clear consent of the governed, and that such consent could not be inferred from the general mandate given to a government by a general election.

For general elections are indeed general, and are usually not confined to any specific issue. Many factors, from questions of taxation to the personalities and reputations of party leaders, normally shape the outcome. By electing a political party to office, voters may be doing no more than expressing their preference for a certain broad political colouration. Moreover, elections are very often won by pluralities rather than outright majorities, so that parties cannot claim majority support for any one policy. As a result, even when one issue dominates the election, the extent and meaning of the mandate given by voters may remain controversial.

No clearer example of controversy over the nature of an election mandate can be found—as former P.C. leadership candidate Patrick Boyer notes—than the 1988 general election, when the Mulroney government was re-elected with only 43 percent of the vote on a policy of free trade which, according to some polls, was opposed by a majority.

It is to compel the government of the day to submit its proposals for fundamental and constitutional change to the voters for a specific mandate that Disraeli and other conservatives have supported the use of the referendum.

Many governments across the world have followed this principle in addressing precisely such issues. For instance, it has been followed by the national governments of France, Ireland, Denmark, Austria, Sweden, Finland, Switzerland and Norway, all of which held referenda on the issue of whether or not to accede to the Maastricht Treaty on European Union whereby national powers would be transferred to a supranational government. The constitution of Australia was amended in 1900 to require all further amendments to be ratified by direct popular vote in a referendum. In Canada, the Disraeli principle has been recommended, among others, by Conservative Prime Minister Arthur Meighen, who held that changes which "affect positive principle going to the root of national institutions" should not be implemented unless approved by a majority of voters in a referendum. The principle was also, of course, observed by the Mulroney government on the question of the Charlottetown Accord.

Perhaps nowhere, however, is the justification for this principle more clearly seen than in the current referendum campaign over Quebec sovereignty, in which both the Parti Quebecois government and its opponents agree on the need to separate the question of a specific mandate for constitutional change, whether through sovereignty-association or separation, from the general mandate to govern that was given to Mr. Parizeau in the last general election.

Taxation, on the other hand, is seldom a question of fundamental or constitutional change. By their very nature, taxes are regular and incidental to the operation

of government. Few events in life are considered as inevitable as the requirement to pay tax. Accordingly, to propose an increase in tax is to propose incremental change, not fundamental change; it is not to change the manner by which we are governed or the constitution of government, but the day to day operations and financing of government. Indeed, to restrict through referenda the legislative power to raise taxes is itself an attempt to change the constitution of government. If the Disraeli rule were followed, it would perhaps be appropriate to put the referendum bill to a referendum.

One might argue, again with Patrick Boyer, that the introduction of certain taxes should be subject to referendum. The GST might be one such example, since it does not change the rate but the principles of taxation, by shifting the burden of taxation to consumption from income. Yet even the GST may not effect fundamental or irreversible change and can in any event be repealed by any federal government of sufficient resolve.

But an increase in sales, income or payroll tax, does not even amount to this much. It is certainly a less momentous decision than an amendment to the constitution, secession from an existing nation, or accession to an international treaty which surrenders some or many of the powers of a national government to supranational, and possibly even unaccountable, authorities. To permit referenda on such mundane and routine matters as tax rates is to denigrate and trivialize their very nature as among the most solemn and momentous political judgments that most people will ever make. For in reality the referendum is the ultimate legislative trump, overriding in legitimacy all decisions of legislators, who are after all no more than the peoples' representatives. And, conversely, if legislators cannot be allowed to make a decision on whether or not to increase taxes, then they might well ask themselves what decisions they were elected to make, and how their mandate to govern is to be interpreted. If taxation is essential to government and a government cannot be trusted with matters of taxation, then it cannot be trusted very much at all.

But even if it were conceded that referenda could be held on matters other than those involving fundamental change—even on such mundane matters as a 2 percent

increase in sales tax—the referendum provisions fall embarrassingly short of the standards set by the liberal or, as it is known today, the neoconservative doctrine of the rule of law.

For under the rule of law doctrine, laws must be general and nondiscriminatory in their application in order to allow individuals to plan their own affairs and understand the consequences of their actions. If referenda are to be used on some basis other than on issues of fundamental change, the basis or principle upon which they are used should be applied consistently.

Unfortunately, the bill in its present form is far from consistent in its application and is, indeed, misleading.

Section 10 of the bill requires a referendum only on the rate of tax increase, and not on widening of the tax base; or limiting, or even eliminating tax exemptions and deductions. Yet, in effect, such changes are also tax increases.

Referenda are not required to impose user fees for government services, or increases in the rate of such fees. Yet such fees are also a form of tax.

Finally, the government exempts itself from holding referenda on increases in the rate of tax whenever it offsets such increases by reductions in other tax rates, with the effect of "restructuring" or shifting the total tax burden. This is the most serious form of discrimination, since it allows the government to benefit one group of taxpayers at the expense of others while pretending to "protect" all taxpayers equally. Unfortunately for taxpayers, the bill does not specify which groups may benefit and which may suffer; we are forced to surmise from the current government's record in office.

But perhaps this is the very point. After all, the bill offers nothing to those who do not pay taxes, or do not pay taxes in any significant amount. Such people are, of course, usually the recipients of government services, rather than those who pay towards their own maintenance. Perhaps it is the steady erosion and privatization of government services, resulting from an excuse not to increase taxes and an opportunistic appeal

to the self-interest of certain groups of taxpayers, that the government seeks to bring about with this bill; a result that is not discriminatory to many, if not the majority of Manitoba citizens, without superficially appearing to be so. Again, I can only surmise. Of course, the government does not require itself, or its

successors, to do anything with the passage of this bill, since it can always repeal what it passed. And this may be its most attractive feature.

Respectfully submitted,
Victor Olson