



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

Standing Committee
on
Economic Development

Chairperson
Mr. Mike Radcliffe
Constituency of River Heights



Vol. XLV No. 8 - 2:30 p.m., Tuesday, October 24, 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**

Tuesday, October 24, 1995

TIME – 2:30 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Mike Radcliffe (River Heights)

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Mr. Stefanson

Mr. Evans (Brandon East), Ms. Friesen, Messrs. Laurendeau, Newman, Penner, Radcliffe, Mrs. Render, Messrs. Rocan, Sale, Ms. Wowchuk

APPEARING:

Mr. Kevin Lamoureux, MLA for Inkster

MATTERS UNDER DISCUSSION:

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

WRITTEN SUBMISSION:

Mr. Ian Fillingham

* * *

Mr. Chairperson: Good afternoon. Would the Standing Committee on Economic Development please come to order.

The business before the committee this afternoon is to continue hearing from those persons registered to speak to Bill 2, The Balanced Budget, Debt Repayment and Taxpayer Protection and Consequential Amendments Act.

At this point I will read out the list of names as it stands this afternoon for the presenters. The first

person registered to speak is Lawrie Deane, representing Community Action on Poverty; secondly, Dr. Sid Frankel, Canadian Mental Health Association; No. 3, Victor Olson, a private citizen. Are any of those individuals in the committee room?

Seeing nobody in the committee room, I will confirm that there is nobody left that wished to make any public presentations, and it is redundant to ask anybody in the committee room to register at the back of the room because there is nobody present in the committee room in the public gallery.

What is the will of the committee with regard to the three names that I have read out of individuals who had registered to present and who are now absent from the Assembly this afternoon? They have been called twice.

An Honourable Member: Move to conclude.

Mr. Chairperson: Is it agreed that the public presentations for this bill are now concluded? [agreed]

Before we conclude that in completion, I have a written presentation from Ian Fillingham who was present on the list, unable to appear before the committee to make his presentation. Is it will the committee to accept his brief as a written presentation and have it appear on Hansard. [agreed]

The committee will now proceed to the clause-by-clause consideration of Bill 2.

An Honourable Member: Group the clauses.

Mr. Leonard Evans (Brandon East): I know some of our members do have questions to ask about specific areas, so just as long as members are not denied an opportunity to ask some questions of clarification and points to be made.

Mr. Marcel Laurendeau (St. Norbert): Mr. Chairperson, maybe we could, if the opposition would let the Chair know which areas they have the questions on, if you could move the clauses up to those points

and we will stop at the points where the members have their questions.

Mr. Tim Sale (Crescentwood): Mr. Chairperson, I think we would simply prefer to go through it in the order which they are in. There are questions in several different places. I do not think it is going to slow anything down. We are certainly not going to hold up this stage. I think the government knows our views on the bill and we simply want to clarify some issues, some of a technical nature.

Mr. Chairperson: Is that the will of the committee to proceed clause by clause? [agreed]

Does the minister responsible for Bill 2 have an opening statement?

Hon. Eric Stefanson (Minister of Finance): Yes, I do, Mr. Chairperson, a very, very brief one. I would like to thank all members of the public who have assisted the committee by offering their views on a very important piece of legislation, The Balanced Budget, Debt Repayment and Taxpayer Protection Act.

Really in summary, Mr. Chairperson, Bill 2 ensures that governments in this province will no longer increase the burden of debt and interest payments which the taxpayers must shoulder. It ensures that governments will put money aside in a savings account, the Fiscal Stabilization Fund, so that services will continue to be funded during economic downturns, and it ensures that the debt will be paid down, thereby reducing interest costs and freeing money for programs or tax decreases. It ensures that major tax rates will not be further increased without the approval of the people. In short, it ensures that Manitobans will be better off.

After having listened to the presentations and the discussion and the questioning and the quasi-debate at times, as we listened to the presentations, I will be proposing one amendment when we get to the appropriate section, Section 9. That deals with the Fiscal Stabilization Fund and what is now a ceiling of 5 percent of expenditures into the Fiscal Stabilization Fund. I think the arguments about potential additional flexibility and so on were somewhat compelling, and what we would be proposing is that the target maintains

at 5 percent. But there is nothing precluding the Minister of Finance and the government from setting aside more if for whatever reason there was an expectation that more would be required.

So the target will remain at 5 percent, but it will not be a ceiling, which is the way it currently is in the legislation. I am certainly prepared to outline that in a little more detail when we get to what I believe is Section 9 of the bill, but the principle is to give more flexibility to the Fiscal Stabilization Fund, not unlike some of the representation we heard from various presenters over the course of this—and really, as a result of the exact same issue, it affects Section 13 too, but that is the one amendment I am proposing as a result of both presentations made to this committee and issues raised as this issue is moved forward.

* (1440)

Mr. Chairperson: Mr. Sale, did you wish to speak prior to Mr. Evans giving an opening address?

Mr. Sale: I would like to ask the minister a question for clarification on the numbers. I am just confused because maybe I am working from a bill that is not correctly—I have No. 9 as titled Disposition of Surplus. Is that where the amendment will come? It presumably also affects the target level under Consequential Amendments, is that correct?

Mr. Stefanson: Mr. Chairman, that is absolutely correct.

Mr. Sale: Thank you, Mr. Minister. I appreciate it, Mr. Chairperson.

Mr. Chairperson: Does the critic of the official opposition, Mr. Leonard Evans, have an opening statement?

Mr. Leonard Evans: Very briefly, I do not know when this tradition of opening statements on clause by clause came from, but it has been like this the last couple of years. It did not used to be 25 years ago. Not that I can recall, but just briefly, we, as we have stated very frequently and effectively, I believe, are opposed to this legislation for many reasons, and

probably one of the key reasons is that in the long run it is going to lead to pressure on government to cut back and curtail spending in the area of health care and education, those being the areas of the greatest expenditure by government in this province and, indeed, most provinces.

Secondly, we believe that, and many of the presenters indicated this in their briefs, that it will lead in effect to the transfer of any tax burden from higher-income groups to lower- and middle-income groups by way of the government having to rely on various miscellaneous tax adjustments and credit adjustments, such as the elimination of property tax credits, such as the introduction, possibly at some time or other, of user fees and so on.

Indeed, one presenter, I believe, yesterday indicated that there was nothing preventing the government from imposing a greater tax upon small business, and he feared that there would be a greater burden on small business. So this is the second major reason why we oppose this legislation.

Perhaps the third point we would make is that this legislation is not really necessary inasmuch as the government can achieve everything that it has set out to do in this bill and the explanations of this bill without the legislation. There is nothing preventing a provincial government, this or any other government, from paying down the debt by means of a schedule, by using various formulas that they wish to use—nothing whatsoever. If I am wrong on this, I would like to be told that, but to that extent, therefore, this legislation—I have called it bad legislation for different reasons, but it is bad because it is unnecessary.

I recall some previous members of this Assembly, some esteemed members of this Assembly many years ago, when I was a neophyte around here, a greenhorn, so to speak, saying government should never bring in legislation if it was not absolutely necessary, that perhaps we had too much legislation already on the books and we should minimize legislation.

At any rate, it is our view that this is, therefore, in that sense, redundant, that it is undemocratic inasmuch as it attempts to impose an approach to fiscal

management on a future generation or future legislators and so forth. I say that even recognizing that any subsequent Legislature can change the legislation if it deems advisable. Nevertheless, the intent is there to impose a particular fiscal regime on future legislators, future citizens, 25 to 31 years from now perhaps, and that to my view is not democratic.

So, with those few words, we are prepared to go through the bill clause by clause.

Mr. Chairperson: During the consideration of the bill, the Title and the Preamble are postponed until all the clauses have been considered in their proper order by the committee. We will now begin clause-by-clause consideration.

Clause 1—pass; Clause 2—pass.

Clause 3(1).

Ms. Jean Friesen (Wolseley): Mr. Chairman, I had a question on this. I have raised a number of times, and I know at least one of the presenters has, the issue of special operating agencies and how and where they are calculated in this. I wonder if the minister would take this opportunity to give us a very clear direction on how the government special operating agencies are concluded in the calculations.

Mr. Stefanson: Mr. Chairman, right now the preparation of Volume 1, the consolidated account, which is the budget we deal with in the Legislature and is the basis of the balanced budget legislation, has the provision of special operating agencies fall outside of that calculation. So they do not form part of the calculation of deficit or surplus.

Now, the few special operating agencies we have so far, I think the majority of them have tended to be profitable. So if anything I guess at this stage could conceivably pull the deficits down slightly. While I refer to profits, we are not talking very significant profits, but I guess the main question was, how are they treated.

Special operating agencies, because of the principle that they are to function on a stand-alone basis and

effectively compete for government business, are not part of this calculation.

Mr. Sale: Mr. Chairperson, we have a very significant concern about that. I will be surprised if MERLIN, in the Department of Education, will be self-financing or profitable. There is a strong suspicion on our part, though I suppose we should not be paranoid, but nevertheless there is a very strong feeling on our part that there are other special operating agencies that are going to be created in the relatively near future. I would suggest to you that some of the movement in I, T and T is exactly in that direction. The Manitoba Trading Corporation is clearly meant to be a framework for the government's work in the area of economic development, but I cannot, for the life of me, see how it could be profitable.

We would have and, I think, the public would have great concern if the government took special operating authorities which were formerly departments and regular expenditures of government and placed them beyond the reach of this act. It would just add to the deepening cynicism about the purpose of this kind of an act, Mr. Chairperson.

Mr. Chairperson: That was a statement of purpose that you wish to put on the record, Mr. Sale? Is there a question involved?

Mr. Sale: A question to the minister, is this the intent, that you are going to put SOAs beyond the reach of this legislation? Clearly, you can create as many SOAs as you wish in government departments. By so doing, I am sure that Manitobans would rightly be concerned that the intent of the legislation was being gutted by the action of the government.

* (1450)

Mr. Stefanson: Mr. Chairperson, I should point out, if the member for Crescentwood, I am sure he has had an opportunity to read some of the mandates of special operating agencies. One of the mandates is that they be self-sufficient. Even the MERLIN special operating agency that he refers to might well require some funding from the Department of Education, which would still be an expense in terms of the calculation of

the deficit because it would come out of the Department of Education as a cost to that SOA.

From our point of view, the concern that he is expressing really does not exist because the direction is that they should be self-sufficient. Certainly, the early indications and performance of the SOAs we have in place are that they basically do break even and some make a profit, or even those that do not do so for a very short period of time. That is one of the fundamental objectives of taking a division of government and putting it on a stand-alone basis: the predetermination that we feel it can function on a stand-alone basis.

I appreciate the concern he has raised, but believe that it will not in any way be affecting the bottom-line deficit in terms of taking functions out of government and taking them away from that calculation. The objectives are divisions of government that show that they can provide the service and do it on a stand-alone basis either through the revenues they are generating through the services or through a function they perform on behalf of a department of government or so on, Mr. Chairman.

Mr. Sale: Mr. Chairman, I have an amendment for Section 3(1). I believe it is appropriate to move it now that we are in that clause.

Mr. Chairperson, I move

THAT subsection 3(1) of the bill be struck out and the following substituted:

Calculation of deficit or surplus

3(1) In determining the deficit or surplus of the government for a fiscal year for the purposes of this Act,

(a) transfers to the operating fund of the Debt Retirement Fund; and

(b) the net proceeds from the sale of all or any part of a Crown corporation;

shall not be included in the calculation of revenue for the fiscal year.

Mr. Chairperson: I have received the motion. I declare the motion to be properly formatted, and it is in order. Is there any debate on that? Do you wish to speak to this, Mr. Sale?

Mr. Sale: Mr. Chairperson, one of the issues that we have raised throughout our debate on this bill is the fact that it appears from the framing of the legislation in its current state that it would be possible for the government to do what they did this year, namely, to sell a Crown corporation, in this case, McKenzie Seeds, and to apply the proceeds from that sale not to the retirement of accumulated debt but to the general operating fund, which becomes the revenue for the year in this act.

I believe that this is also the effect of the Manitoba Mineral Resources winding up this year in which some millions of dollars are being removed from that fund and brought into general revenue as well. There is a trust fund, which was shown, I believe, in Volume 3, and is being rolled in as revenue this year and on which the Auditor has already provided some informal comments at least.

Mr. Chairperson, Crowns are essentially tools of the government for achieving public purposes, and Manitobans have been very well served by Manitoba Hydro, Manitoba Telephone System, Manitoba Public Insurance Corporation and other Crown corporations which have come and gone over the years depending on public policy, but, nevertheless, they have provided a very valuable function.

In fact, I think, as this government says frequently, Manitoba Hydro and Manitoba Telephone provide a spine of infrastructure around which many of our good industrial developments of which they rightly speak positively can take place.

So we are very concerned that, because of the stringencies in this act, that is, the requirement for an annual balancing, which we think completely inappropriate, under that requirement government may well be tempted to sell divisions of or entire Crown entities, as in the case of, for example, Manitoba Telephone System, which they have now divided into four separate operating entities. One might think that

at least some of these entities might be more easily privatized than others, and the timing of that privatization could well serve the political interests of government rather than the needs of Manitobans in order to balance under the stringent requirements of this bill.

So, Mr. Chairperson, we move this amendment with a view to at least protecting the intention of the legislation, which is not to allow for creative bookkeeping, and one of the most creative kinds of bookkeeping is to sell family assets and call it current income. I think any family that does so knows that they are fooling themselves if they sell a house or a car or a piece of art or anything and take that income in to, quote, balance their budget. They know very well that the budget is not balanced but that in fact they are living off their assets, and Manitobans I think do not want to live off their assets to balance a short-run budget.

So, Mr. Chairperson, I am sad to move this amendment because I am sad that it is necessary, but I think it is necessary to protect our Crown corporations from inappropriate disposal in a fire-sale situation.

Mr. Stefanson: I would urge committee to defeat this, and I will explain why.

First and foremost, I think it is important to understand accounting and the approach utilized in terms of the treatment of disposition of assets, whether it is Crown assets or any other assets owned by the government is generally accepted accounting principles. That is what we utilize, that is actually what previous governments have utilized in terms of how we treat the accounting treatment of the disposition of any assets.

So what we are following is just that, generally accepted accounting principles endorsed by reputable professional accounting bodies like the Canadian Institute of Charter and so on and so forth. I do get concerned when I hear members talk about funny accounting or accounting tricks because it is the furthest thing from the truth. What we are following are the accounting practices that the professional bodies endorse as a way to deal and treat an asset.

I think the other very important point to make whenever you are dealing with our assets is in many cases we have incurred expenses against those assets over a period of time. We have either invested money or we have incurred costs as a result of those assets. McKenzie Seeds is a good case in point where money was put into that investment. Ultimately when it is disposed of, there might be a gain or there might be a loss as a result of the investment that we made over a period of time. So if you look at that asset over the span of various governments, sure, at one point in time, you might be showing a gain, but over a series of many years, you might have incurred significant expenses or you might even still be recording a loss.

But the most important issue here, Mr. Chairperson, is the fact what we follow are generally accepted accounting principles and that is what we should be following and that is what the Auditor acknowledges we should be following. The Auditor has not called into question how we treat the disposition of assets, so I would urge the committee to defeat this amendment.

Mr. Chairperson: Mr. Laurendeau, you indicated that you wish to speak to this matter.

Mr. Laurendeau: I think the minister has touched exactly on it. I had the exact same concerns as the member had. I went to a number of CAs and CGAs and brought forward this exact concern, and I was informed that it was general practice within their institutions, that they took the disposition of assets because of the long-term effect, because when you invested those capital dollars and when you got your return, it was to be taken into the overall operating side. I spent almost two hours on this one issue alone, so I understand where the minister is coming from now. I accept his position, and I also agree it should be defeated.

Mr. Sale: I just conclude with saying that I, too, understand that this is generally accepted accounting. What is not generally accepted accounting is the requirement to balance capital and operating budgets every year. You have changed the generally accepted accounting approach to public finance which has never been a requirement for rigid balancing, and in that context, we believe it is inappropriate to be able to be

put under some political pressure to sell an asset in order to comply with the political requirement to balance.

So while we agree that this is generally accepted accounting practice, our concern is that the government is abandoning generally accepted accounting practice in the public sector at least. Nowhere does such accounting practice call for capital and operating balances to be in balance every year forever. This is unheard of stringency.

Mr. Leonard Evans: Just by way of a historical footnote, I invite members of the committee to read Hansard from some years ago when one Honourable Gurney Evans, no relation to myself, former minister of a Conservative government, eloquently made the case for splitting capital from operating in the budget, and indicating that that made sense, that was the proper way to go. At any rate, I offer that to the members opposite, Mr. Gurney Evans, a former colleague, a late colleague of the members opposite, a member of the Conservative Party and the former Conservative government.

* (1500)

Mr. Chairperson: Any further discussion?

Mr. Kevin Lamoureux (Inkster): Mr. Chairperson, I realize I am so far down the table it would be difficult to see me.

I just want to express that we share the concern that the member for Crescentwood (Mr. Sale) has put forward. I think it is very legitimate, given the government's past record in terms of being able to at least manipulate the public into believing that during a bad time government might attempt to sell off or dispose of some corporation and use that money in order to assist in projecting what, for all intents and purposes, is not what the actual picture really and truly is.

For that reason and for the concern that we have, I support in terms of what the message is that the member for Crescentwood is trying to get across with this particular amendment.

Whether or not this is the best way of doing it, I am not entirely sure. I would think that the best way of doing it would be more so with the Provincial Auditor's office in some capacity, and to incorporate the Provincial Auditor into this particular amendment might be a better way of dealing with it.

Mr. Chairperson: The question has been called.

On the proposed motion of Mr. Sale to amend Clause 3(1) with respect to both the English and French texts, shall the motion pass?

Some Honourable Members: No.

Some Honourable Members: Yes.

Mr. Chairperson: The Nays have it.

Mr. Leonard Evans: Yeas and nays, Mr. Chairman.

Mr. Chairperson: Yeas and Nays, Mr. Evans? All right.

All those in favour of the motion, say yea.

Some Honourable Members: Yea.

Mr. Chairperson: All those contrary, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Nays have it.

Mr. Leonard Evans: Could we have a counted vote please, Mr. Chairman?

A COUNT-OUT VOTE was taken, the result being as follows: Yeas 4, Nays 6.

Mr. Chairperson: The amendment is accordingly defeated.

Clause 3(1)—pass.

The next paragraph is Clause 3(2)(a), (b) and (c).

Clause 3(2)(a), (b) and (c).

Mr. Leonard Evans: In references made in 3(2)(a) to natural or other disasters, I was just wondering how the government is going to decide what constitutes a natural or other disaster.

It is a matter of judgment, and is it simply, I presume, in the judgment of the minister or of the cabinet? It is a rather vague reference and not I believe in keeping with good legislation.

Mr. Stefanson: Mr. Chairman, ultimately it will be a decision of cabinet, but a disaster may be either natural, flood, drought, fire or otherwise, for example a large-scale release of toxic fumes from a chemical factory.

A disaster must be something that could not have been anticipated. For example, some money is spent fighting forest fires every year, and expenditures which are within the normal range or variation would not be allowed under this exception.

Mr. Leonard Evans: Then there is the question of when the expenditures are made, I suppose. Fire can occur in one year and the expenditures may be made in a subsequent year, or some of the expenditures. Plus, at our year-end we do accrue. If we have an outstanding liability as a result of an event that occurred in that fiscal year, we accrue that liability. So we do reflect the full expenditure over the period of time that it actually was incurred, not necessarily cash flowed.

Mr. Leonard Evans: I will need to see reduction of revenue 5 percent or more in the fiscal year. I am not sure who is going to do the calculation, whether it is the Auditor or the Department of Finance. But what if the revenue is just under that, the reduction revenue is just slightly under 5? It still could be a rather difficult situation if it was 4.98, let us say. Is the government rounding off the numbers or just precisely how are you going to calculate this and who is going to calculate it?

Mr. Stefanson: Mr. Chairman, the original determination will be made by the Minister of Finance, then dealt with by cabinet and ultimately audited by the Provincial Auditor. I should point out that this has occurred, I believe, once since the early 1930s. A swing of this magnitude has happened only once since the beginning of the 1930s.

Mr. Chairperson: Any other questions?

Mr. Lamoureux: Mr. Chairperson, this is an area in which if I was a member of the committee I would likely bring forward an amendment.

I think that this is an area in which I would have liked to have seen some form of acknowledgement of the need to have something to take into account, a business cycle that is out there, the whole idea that in any given year there might be a requirement to borrow money. Unfortunately, the minister has not seen fit to bring forward an amendment, especially given the types of presentations that were made. To a certain degree—I should not say to a certain degree, I know I myself am somewhat disappointed in that sense. I will just leave that there.

An Honourable Member: Question.

Mr. Chairperson: Question. The question has been called.

Clause 3(2)(a),(b) and (c)—pass; Clause 3(3)—pass; Clause 3(4)—pass; Clause 3(5)—pass.

Clause 3(6).

Mr. Sale, do you have a question on Clause 3(6)?

Mr. Sale: Mr. Chairperson, could the minister indicate whether he and/or his officials have had discussions with the Auditor in regard to any concerns which she might have concerning this legislation? This seemed like the appropriate place in the act to ask that question, although I know it is not directly effective in this section.

* (1510)

Mr. Stefanson: Mr. Chairman, I believe, if I understand the member's question, he was asking a more generic question about whether we have contacted the Auditor on the specific issue of accounting policies. The Auditor comments regularly on accounting policies through her annual audit report, but I believe the member was asking whether or not she has had some direct input into this legislation, as such, if I understand

him correctly. The answer would be no and for very specific reasons. As I answered both here at committee and to a question from the member for Brandon East (Mr. Leonard Evans) in the House the other day that, obviously, she has very much of a role to play in terms of this legislation, in terms of the preparation of the audited statements Volume 1, in terms of her annual report and so on, and obviously the fact that she will also appear at Public Accounts when we are dealing with Volume 1 Consolidated Funds.

It was very much with that in mind, but my understanding is, she acknowledges that she will have those opportunities for input and she has very much of a role to play.

As I commented the other day, if you notice a reference through here, I think it is about 14 or 15 times we refer to the audited financial statements which are, as we all know, audited by the Provincial Auditor here in Manitoba.

Mr. Sale: I just make the comment for the record that I think this is one of those important issues that I hope will not come back to haunt the government in the House, but the Auditor has repeatedly raised the question of the unfunded pension liabilities. It seems to me that this act is totally silent on that issue.

If we were going to march down the road of paying off liabilities, the unfunded liability is one that everyone recognizes is a very serious and potentially growing liability depending on what happens with mortality tables and other things over the next few years. It seems to me it would have been much more sensible to pay down those liabilities as a first charge than to pay down the general purpose debt, against which, as we have said many times in this debate, we have some \$13.75 billion in assets against a general purpose debt of only \$7 billion.

I realize this is stretching discussion on this clause, but it seemed to be an appropriate place to raise the concern that we have significant unfunded liabilities that could well be seen as a higher priority for payment than a general purpose debt against which we have more than twice as much asset as liability. Thank you, Mr. Chairperson.

Mr. Chairperson: Any further discussion of Clause 3(6)?

Clause 3(6)—pass; Clause 4(1)—pass.

Clause 4(2).

Ms. Friesen, you have a comment or question?

Ms. Friesen: It is a question. This clause assumes majority government. I wonder how it applies to the possibility of coalitions? Can a government in fact evade this legislation by claiming a coalition?

Mr. Stefanson: Mr. Chairman, I believe that if there was a coalition after an election which was different than the governing group that existed prior to the election that this clause would then kick in and that provision would apply. Subsequent to that, that coalition would be responsible for abiding by this legislation like any government unless they decided to call a committee and deal with some changes to it. But they would be responsible to abide by the legislation.

Ms. Friesen: Just for clarification, the purpose of this act is to enable a party which is different from the party presently forming government to have a different timetable essentially with regard to the deficit, right?

Mr. Stefanson: It is just meant to cover the fiscal year during which the election takes place, realizing that we could have a change of government during that fiscal year and therefore, if there is a new government, they are not responsible for that one period in time, that fiscal year, just because of obviously the combination of the change in government and change in views and not having been the ones who tabled the original budget and depending how long into the fiscal year that was, obviously, how far along that budget might well have been, might have been passed by the Legislature, already had one or two quarterly statements released. So it is really meant to cover that aspect in an election year.

Ms. Friesen: Thank you, I think that clarifies the intent of it. So I just want to be clear about this. Is the minister saying that this clause will apply if the next government is a government which is not composed of

—getting lost in my negatives here—[interjection] No, it is not quite that. If the next government is a coalition, which includes the preceding government, how does this apply? That is really what I want to know.

Mr. Stefanson: Mr. Chairman, that would still constitute a change in government even if one of the parties was a part of a coalition, and I should clarify that what we are dealing with here is the requirement to run a surplus the year after having run a deficit.

Mr. Leonard Evans: Actually, in some ways—I do not want to prolong this, but I am—I suppose, get away with different wording without even referring to parties if the government is different. But governments are made up of parties and individuals and could almost be redundant if the composition of the government is different.

Mr. Chairperson: Any other comments or questions for clarification on this section?

Shall this section pass? It is passed accordingly.

Clause 5—pass; Clause 6—pass.

Clause 7(1).

Mr. Leonard Evans: I think Ms. Friesen had a question.

Ms. Friesen: I know that from the perspective of members of the House this is a clear statement. I am not sure that it is equally as clear for members of the public, and so I simply wanted to put on the record, that what this simply refers to—that is, the reduction of pay for members of cabinet or the Executive Council—is the extra, I believe, at the moment—is it \$20,000?

This is why I would like the minister to put it on the record, \$20,000 to \$25,000 that members of the cabinet receive. It does not refer to their entire salary. So I wonder if the minister, perhaps using an example from the existing situation, could put that clearly on the record for members of the public.

Mr. Stefanson: The member is absolutely correct. That has certainly always been how I have conveyed it

and how it has been conveyed, that it is the additional ministerial compensation that is the subject of the penalty provisions of 20 percent in year one and 40 percent in year two. I believe today it is approximately \$25,000. I probably should know exactly, but it is approximately \$25,000. So 20 percent of \$25,000 would be \$5,000 in year one and double that once you hit the 40 percent.

Mr. Chairperson: Any other discussion on Clause 7(1)? Clause 7(1)—pass.

For the purpose of the record, Clauses 3, 4, 5 and 6 have been passed in their entirety.

Clause 7(2)—pass; Clause 7(3)—pass; Clause 7(4)—pass; Clause 7(5)—pass; Clause 7(6)—pass.

Shall Clause 8(1) pass?

* (1520)

Mr. Leonard Evans: Just a question, Mr. Chairman. In the last budget document, the minister proposed a suggested schedule of payment over 31 years. I presume that was simply somewhat of a hypothetical example, because the numbers will change a bit; they do change from year to year. Where are we going to see the schedule of debt retirement? Is that going to be made available to the Legislature at some point before this exercise begins, or are we committed?

I do not think—as I understand it, the government is not committed to the schedule shown in the budget document. That was put there as an example to explain how the schedule would look over a period of years.

Mr. Stefanson: Mr. Chairman, the detailed funding of the debt retirement is laid out further in 8(4), but the chart that the member refers to in the budget document is illustrative of how it will work.

The only thing that would change the numbers will, depending on what the interest rates are at any given point in time, but in terms of the principle of applying \$75 million plus 7 percent of all amounts transferred from the fund to revenue of the operating fund in the preceding fiscal years, that is the approach utilized and

all that will change the numbers that you see in that chart, and they will change because the interest rates will change over time, but that is the only thing that will change.

There is a minimum of \$75 million starting in year one and then it grows over time because as the debt servicing costs go down on the other side, a good portion of those dollars are being redirected into paying off the debt, the money that is currently going to pay only interest.

Mr. Leonard Evans: Just for clarification, is it the minister's or the government's intention to publish a chart, say every year in the budget document for reference, or will the minister make this available in some other way, in some other report for the edification of the public, to keep score, that is?

Mr. Stefanson: Mr. Chairman, there will be annual reporting requirements for the Debt Retirement Fund, not unlike the Fiscal Stabilization Fund, and we will take that concern the member has raised as notice whether or not in that annual report we prepare an example table.

I would think we might well continue to show a table in our future budget documents as well, so I think through the annual report of the Debt Retirement Fund and our annual budget document, there will be opportunities to provide the schedule the member is referring to.

Mr. Chairperson: Any further questions on paragraph 8(1)?

An Honourable Member: Pass.

Mr. Chairperson: Clause 8(1)—pass; Clause 8(2)—pass.

Clause 8(3).

Mr. Sale: Mr. Chairperson, this probably shows my ignorance of the Estimates of the minister even though I worked for his department at one point. How will this fund show in the Estimates each year besides in the simplistic manner referenced by Mr. Penner? What will it show as and how will it show in the Estimates?

Mr. Stefanson: Mr. Chairman, through the annual budget starting with payments in '97-98, we will see the transfer from our Consolidated Fund to the Debt Retirement Fund in our budget, and then under how the Debt Retirement Fund draws down debt, when we are paying down debt, we will see it basically come back in and go back out to pay down that debt. The other reporting relationship will be the Debt Retirement Fund annual statement that I answered earlier.

So you will see the outflow starting in 1997-98 as a line item in the budget as it is going into the fund, and the way it is set up when we do make payments out of the fund, it has to come back into general revenue, but it does not come in as revenue, so to speak, because it is only coming back in and going back out to pay down the debt.

Does that make sense? I do not know how simpler to explain it. The way the fund has to work is similar to the Fiscal Stabilization Fund. When you are taking money out of it to pay down debt you bring it into your general revenue, but the same amount will come in as will go out, so it will just cancel itself out when you are actually using it to pay down the debt. Other than that the annual contributions will show up as a line item in the budget.

Mr. Sale: I thank the minister for the answer. That was my question. There will be, in other words, a line in Estimates for this purpose showing a transfer to a fund and, should the fund be drawn down in a given year, it will show as a revenue line, presumably in general revenues. Can I ask the minister whether it would show as a special revenue or will it have its own title, revenue from?

Mr. Stefanson: Mr. Chairman, I would imagine, to make it perfectly clear, it will have a separate line. So it will come across as a separate line item and then the equivalent amount will be going back out to actually pay down debt.

Mr. Chairperson: Any further discussion? Clause 8(3)—pass.

Clause 8(4).

Mr. Sale: Again, Mr. Chairperson, I simply do not understand the effect of (ii), in other words, 7 percent of all funds.

A number of presenters who presented at the public hearings referenced this as an escalating requirement on the fund's transfers. Maybe I should let the minister finish discussing. A number of presenters raised the question as to whether this did not amount to a geometric or a compounding requirement for payment which will raise the annual requirements.

I just simply do not understand the arithmetic here. So if the minister could walk us through an example, I would very much appreciate it.

Mr. Stefanson: Mr. Chairman, the simplest way probably is to look at the chart that is in the budget, but essentially what happens is, after five years the funds in the Debt Retirement Fund are utilized to draw down the debt. The payments to that Debt Retirement Fund are then increased by what effectively is the savings of interest as a result of that debt going down after that accumulation of five years payments of \$75 million.

That is why, if you look at the chart it will show that the payments are constant for the first five years at \$75 million. For the next five years, they go up to \$106 million. That is basically because, as I said earlier, our interest costs are going down because the debt has been paid down. We are then taking, effectively, what amounts to 7 percent of that savings and putting it into the Debt Retirement Fund. So it goes up for another five years to \$106 million and then continues to go up. So the only way you have more money to go into the Debt Retirement Fund is as a result of paying less money on interest costs, is essentially what is happening.

* (1530)

Mr. Sale: Mr. Chairperson, I thank the minister for that explanation. That makes some arithmetic sense.

I would simply say for the record that what that means is that Manitobans get no benefit from the payment, paying down of the debt, until the debt is fully paid off, because the minister, I think, is saying

that each year the discipline increases so that the debt is paid off more quickly, but the benefit from having a lower accumulated debt is not being realized, because that benefit is then being taken into the fund to pay off ever more quickly the debt. So Manitobans are asked to forgo any benefits from the discipline of this legislation, which the government claims, until the entire debt is paid off, which seems to me to be, again, as many presenters said to us, incredibly draconian.

Mr. Stefanson: Mr. Chairman, again, I would encourage the member to look at the chart in the budget book, because what he will see is that there is an extra excess interest savings, and, again, it is zero during the first five years. Subsequent to that it starts to grow at \$9 million in the sixth year and so on. So there is an element of interest savings that is effectively passed on to either other program areas, tax reductions, whatever kinds of decisions the government might make.

Of course, I will not get into the long argument about what I feel are the economic benefits of paying down the debt. That is a whole different argument, or discussion, that he and I can have at another time. We both put our thoughts on the record in terms of that linkage, but I think, obviously I feel very strongly, that there is a linkage there as well.

Mr. Sale: Just then to conclude on this. I should have a budget in front of me, and I apologize for not having one. Is the minister saying that the required payments rise by \$31 million after the first five years and that the savings to the public, in other words, the benefit, rises by \$9 million? Is that the example that he cited?

Mr. Stefanson: Mr. Chairman, basically, the member is correct. The payments go up by \$31 million. The interest savings is \$40 million. There is \$9 million excess interest saving at that point in time.

Mr. Sale: Thank you. I appreciate the minister putting that on the record, and I apologize for exaggerating the draw down on the public's good will through this fund's payments. Simply for the record point out that for \$3 of increased payment the public benefit appears to be about \$1, again, underlining what we think is a very draconian payment schedule.

Mr. Chairperson: Clause 8(4)(a), (b)(i), (ii)—pass; Clause 8(5)—pass; Clause 8(6)(a), (b)—pass; Clause 8(7)—pass; Clause 8(8)—pass; Clause 8(9)—pass; Clause 8(10)—pass; Clause 8(11)—pass.

Mr. Leonard Evans: Just by way of question or comment. I presume, then, that this is where the chart could be shown in this particular tabling, Mr. Chairman. Am I right in that interpretation of this clause?

Mr. Stefanson: Mr. Chairman, this is the report that I referred to earlier in terms of the reporting relationship of the Debt Retirement Fund. I indicated that it might well be that we show an illustration of the chart in here. It might also be that we include one in our budget. We see value to providing that information. Obviously, the member sees the same and wants to see it. So we will be certainly reporting it in either both of those or some means.

Mr. Sale: Mr. Chairman, would it be the minister's intention that the report would be studied by the Public Accounts Committee?

Mr. Stefanson: Mr. Chairman, I somehow think there is very little doubt that, when we are in Public Accounts with Volume 1 that we will be discussing the Debt Retirement Fund and other aspects of this legislation.

In terms of the formal reporting relationship of the Annual Statement of the Debt Retirement Fund, I will certainly take that up with our House leader and have him take it up with the opposition House leader as to which is the most appropriate forum.

Initially, it appears that it might well be Public Accounts for that as well, but I think they could resolve where that report ends up. Public Accounts also does represent an opportunity to discuss that, irrespective of whether this report ends up here or not.

Mr. Sale: Mr. Chairperson, as we have said at a number of other occasions, government has run on fiscal probity. It has put forward an act by which it intends to bind itself and try to bind future governments on very stringent conditions. It is the same government

and the same minister who will not schedule regular meetings of Public Accounts, who will not allow the amendment of Public Accounts representation and powers of the Chair to take the progressive form that it has taken in other provinces of many different political stripes.

I simply make the point that there is sauce for geese and ganders and other sayings like proof of pudding being in the eating. We would like very much to have the minister's word that he will call Public Accounts committee again before the end of this session and will move toward a regular scheduling of that committee so that we can do the things which the Auditor has recommended and has had sessions on. I hope the minister is prepared to give his word accordingly.

Mr. Stefanson: Mr. Chairman, as the member for Crescentwood and I have discussed before, we will leave that to our House leaders, the calling of the next committee. He gives one side of the ledger, so to speak. He and I have discussed the performance of Public Accounts and if members are serious about improving Public Accounts, there are several things that can be done and they require the co-operation of everybody.

I know one of the suggestions the Provincial Auditor has made in the past is that if members of the opposition want meaningful information, sometimes responses, if they are not satisfied with some of the responses they get that it would certainly enhance the operation of Public Accounts by providing questions in writing in advance and so on. I think there is a series of things, as he and I have discussed on at least one previous occasion, that can be done to improve our Public Accounts function if there is generally a will on everybody's part.

Mr. Sale: Again, for the record, we have concurred on that point. We have agreed that we would provide areas of questioning, and we have agreed that we would be quite prepared to have agendas, and we have still not got any agreement on a meeting date. So we are prepared and have so indicated to move Public Accounts forward into a framework which is more in concert with the kind of intention that the government states is behind this act.

So I just express my continued frustration and disappointment that we have not been able to conclude that. I do not take the minister's point at all that we should refer this to our House leaders. It has been referred, and I think the minister knows very well that the power to take action on this is not in the House leader's hands but is in his hands.

Mr. Chairperson: Clause 8(11)—pass. Clause 8(12)—pass.

Clause 9(a) and (b).

* (1540)

Mr. Stefanson: Mr. Chairman, this is the section that I referred to in my opening remarks that I have amendment for that is being circulated right now. As I said in my opening remarks, what this essentially does is remove the element of the 5 percent of expenditures being a ceiling for the Fiscal Stabilization Fund. It is now a target, but if the government of the day decides for whatever reason, something they see coming down the road, so to speak, they could set aside a greater amount if they felt it was necessary.

So the target remains at 5 percent as a reasonable level for the Fiscal Stabilization Fund, but this does provide for the kind of flexibility that I believe several presenters made over the course of this bill referring to someone so far as to quantify amounts that they felt were the kinds of allocations that were required to this account. Without necessarily accepting those, that quantification, we do accept the fact that there could be benefit to government to having some additional flexibility in this area.

The amendment to 9(b) is merely that any surpluses have to have the approval of the Lieutenant-Governor-in-Council as opposed to at the discretion of the minister.

Mr. Chairperson: You are moving accordingly, Mr. Minister.

Mr. Stefanson: I am moving accordingly, Mr. Chairman.

Mr. Chairperson: So moved. I find that the motion is in order.

Mr. Sale: Mr. Chairperson, could you give us some guidance in terms of procedure? Is it appropriate to consider the amendment clause by clause or is the amendment all of a piece?

Mr. Chairperson: Mr. Sale, the ruling of the Chair is that the whole motion is before the committee, and so it would be considered in its entirety, being to strike out Clause 9(a) and (b) as they appear in the act and substitute the clauses that appear in the motion.

Mr. Sale: Mr. Chairperson, I have no problem at all with clause (b), but I have a fundamental and enormous opposition to clause (a) as proposed. The minister may not understand why, but let me try and make my case and request him to consider holding this amendment until another session of the Legislature, which he might consider a target.

The way I read (a), (a) would allow the government to build the Stabilization Fund to any level that it wishes, regardless of the need or the ability of the people of Manitoba to sustain even more withdrawals from normal operating expenditures of government.

I have had discussion with him, and he knows that Professor Norm Cameron has suggested that \$700 million would be a better level if you were really serious about smoothing out peaks and valleys of the economic cycle. The level of \$700 million would require very, very substantial withdrawals from normal operating expenditures of government to reach that level and, I think, would make the case very well that this is draconian legislation in this respect as well as in the payback respect.

In many ways, (a) allows the government to go beyond \$700 million, and I might even make the case that, to fully smooth out peaks and valleys of our fiscal cycle, that would be required. Indeed, it would seem that when you have a deficit, even if we take only Volume 1, the deficits that governments under both parties have run substantially exceed \$700 million cumulatively in the trough of the cycle. We never got

to the positive side with the exception of 1987-88, which we continue to discuss.

So, with great respect, Mr. Chairperson, I would ask the minister to consider leaving this clause as it is, much as I do not like the current clause, and considering the fact that the wording as he has brought forward allows virtually—well, not virtually—allows any level of Fiscal Stabilization Fund to be built up, regardless of the needs of Manitobans for health care, education or other purposes. So I realize that the government has the power to pass this and, no doubt, will, if they wish, but I would ask him in great seriousness to consider withdrawing this amendment and bringing forward, if he feels necessary, an amendment at a subsequent time.

I would say in closing my remarks on this that there is absolutely no urgency to do this. This government has a majority. It is a normal term of four years. It has clearly told the public it intends to balance its budget and to run this program, and, as Mr. Evans, the member for Brandon East, has pointed out, nothing prevents them from so doing. So I would urge them to consider withdrawing this clause—I have no problem with clause (b)—and bringing forward a further amendment at a future time, Mr. Chairperson.

Mr. Stefanson: Mr. Chairman, I do not have much more I can add. I gave the rationale that the 5 percent is still the target, but there may be situations where this government or future governments deem it necessary to have more than the 5 percent target level. The member refers to different assessments done by other individuals, like Mr. Cameron, in terms of their assessment of what a target level should be.

We still believe that 5 percent is the reasonable target. All this does is give the capacity to the government if we see something, as I say, a period of time out that might need to be addressed, that it does give the flexibility to the government to deal with that. This is a reserve account; it is a savings account; it is meant to help smooth out any unforeseen issues. I think that, in principle—I am not putting those words in his mouth—the member for Crescentwood (Mr. Sale) has seen the merit of the Fiscal Stabilization Fund.

I believe his concern is how quickly it can get up to the target level, but that is what it does. The target level is still the 5 percent, but it does give the capacity to the government of the day if they deem it necessary to set aside a greater amount.

Mr. Chairperson: Any further discussion on the point?

MOTION:

THAT section 9 be amended by striking out clauses (a) and (b) and substituting the following:

(a) the amount required to bring the Fiscal Stabilization Fund to its target level as described in section 3.1 of The Fiscal Stabilization Fund Act, or any greater amount that the minister, with the approval of the Lieutenant Governor in Council, considers appropriate, shall be transferred to the Fiscal Stabilization Fund;

(b) any amount remaining after a transfer under clause (a) may be left as a surplus of the operating fund or may, with the approval of the Lieutenant Governor in Council, be transferred to the Debt Retirement Fund.

[French version]

Il est proposé que l'article 9 du projet de loi soit amendé par substitution, aux alinéas a) et b), de ce qui suit:

a) il transfère au Fonds de stabilisation des recettes soit les sommes nécessaires pour atteindre le niveau cible du Fonds visé à l'article 3.1 de la Loi sur le Fonds de stabilisation des recettes, soit, avec l'approbation du lieutenant-gouverneur en conseil, les sommes plus élevées qu'il juge appropriées;

b) après les transferts effectués en vertu de l'alinéa a), il peut, avec l'approbation du lieutenant-gouverneur en conseil, transférer le reste de l'excédent au Fonds de remboursement de la dette ou le laisser à l'actif du fonds de fonctionnement à titre d'excédent.

Mr. Chairperson: On the proposed motion of the honourable Mr. Stefanson to amend Clause 9 (a) and (b) with respect to both English and French texts, shall the motion pass?

Some Honourable Members: Yes.

Some Honourable Members: No.

Mr. Chairperson: All those in favour of the proposed motion, please indicate by saying yea.

Some Honourable Members: Yea.

Mr. Chairperson: All those opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it.

Mr. Leonard Evans: A recorded vote, please, Mr. Chairman.

A COUNT-OUT VOTE was taken, the result being as follows: Yeas 5, Nays 3.

Mr. Chairperson: In my opinion, the motion has passed, ruled accordingly.

Clause 9 (a) and (b) as amended—pass.

Clause 10(1).

Mr. Sale: Mr. Chairperson, for the record, I think we have made our point on this issue many times, and the presenters, including the Canadian Federation of Independent Business and Mr. Schmalcel in his brief, made the point that the requirements for referenda are very incomplete and that they are biased in favour of higher-income persons and against lower-income and small-business persons.

We are not supportive of tax referenda, but the referendum legislation in Section 10(1) we view as biased and incomplete and likely to have a negative effect on low-income Manitobans and small business people.

Mr. Stefanson: Mr. Chairman, just briefly, in response, I believe this is the most comprehensive taxpayer protection legislation certainly within Canada. I think only one other government in Canada, I believe it is Alberta, has attempted to do anything in this area, and as the members know or I believe they know, the government may not present a bill to raise the rate of the payroll tax, the corporate income tax, the personal income tax or the retail sales tax unless the increase has been approved by the majority of Manitobans voting in a referendum.

Certainly I do not accept the arguments about which levels of taxpayers, in terms of their earning capacity, are better protected. I believe all taxpayers are protected. Certainly when it comes to things like the provincial sales tax, maintaining it at 7 percent, which now is the second lowest rate in all of Canada, I believe is something that is of significant benefit to all Manitobans whatever their income might be.

* (1550)

Mr. Leonard Evans: Well, Mr. Chairman, we cannot agree with the minister in his assertion, because it has been pointed out by more than one, it was pointed out by more than one presenter that there is nothing preventing this government or indeed any government from increasing the burden on small business, from increasing the burden on average citizens by way of variations under the act without requiring a change in the act.

For example, as I understand it from one presenter, tax exemptions affecting small business could be changed to the detriment of small business, putting a greater burden on the small enterprise. So there are various exemption levels. The level of the payroll tax, the health and post-secondary education taxes, as I understand it, you could drop the exemption level without a change in the act, I believe, and so on. So that would impose a greater burden on small enterprise.

Similarly in the whole field of tax credits, the government can wipe out the cost of living tax credit which affects poor people. It could wipe out property tax or reduce the property tax credit, which, again, would be biased against people on lower incomes, I

would submit, Mr. Chairman. So there are ways and means for the government to seek revenues, and indeed it will be very much inclined to seek revenues, because it would not, I would think, likely want to proceed with a referendum on major tax changes.

Given that as a fact, we will see this government, as indeed many other governments in North America who have so-called balanced budget legislation, seek various miscellaneous ways and means to raise funds, new user fees, various changes in exemptions and credits, as I said, so that ultimately there will be a greater burden on lower- and middle-income people. In fact, I think the total impression I get from this bill and its impact, it will be a shift in the burden from higher-income people to lower-income people. That will be the long-run effect of this legislation, not to speak of the cuts in essential services and the reduction of health care and quality of education in Manitoba.

Mr. Chairperson: Clause 10(1)—pass.

Clause 10(2), including (a) and (b).

Mr. Sale: Mr. Chairperson, 10(2)(b), I am simply underlying my colleague from Brandon East's point that under 10(2)(b), it is perfectly permissible to restructure the tax system to burden whomever the government chooses to burden and to do that, without violating the intent of this legislation, without referenda, and clearly the government has thereby provided itself with an enormous loophole to shift the tax burden as they choose. If they wish to redesign the burden, that is the incidence on varying groups, to meet political or other objectives under 10(2)(b), they can do so.

Mr. Stefanson: Mr. Chairman, I am very pleased to hear that members of the opposition finally recognize that taxes can be a burden. After that dismal performance from 1981 to 1987 in terms of what happened to taxes in Manitoba, I think our record speaks for itself of what we have done in terms of reducing personal income tax, reducing the taxes for small businesses in terms of corporate income tax, increasing the threshold on the payroll tax, increasing the threshold on the Corporation Capital Tax, and I can certainly go on and on if the members want to hear all

of the things we have done to decrease the burden of taxes on all Manitobans.

Mr. Leonard Evans: Mr. Chairman, we do not want to get into a debate about past budgets and so on, but I remind the honourable minister, a couple of years back there was an additional \$100 million taken from the citizens of Manitoba in various ways including the extension of sales taxes onto all kinds of things including Big Macs, educational supplies, certain health supplies and so on. So let it not be said that there has never been any increase in tax burden by this particular government.

I would also point out, Mr. Chairman, that in the '80s, governments across Canada, including the federal government, were faced with very high interest rates. There was a recession in the early '80s as well, and what happened in Manitoba is what happened across the land. I might point out I had the pleasure of serving government in the '70s under Mr. Schreyer, '69 to '77, and the amount of money we paid on interest on the debt as a percentage of total expenditures was 4 percent, according to the budget document I looked up, when we took office.

When we left office, it was just a little over 3 percent. So actually the burden, measured in that way, was less than—the debt burden was less when we left office than when we assumed office. In the meantime we engaged in all kinds of new programs. That is when we brought in Pharmacare, that is when we brought in a massive program of social housing for low-income groups and for senior citizens, and many, many other things, but the secret was that we had strong economic growth, and that is a challenge.

Mr. Chairman, the point is that people who are concerned about the debt, the fact is the burden of the debt was lower by '77 than it was in 1969.

Mr. Sale: I just conclude by saying that the minister knows, because his officials have studied this and reported on it over many years, that governments in many ways had a free ride in the Mulroney years, federal government years, because changes were made to the personal income tax system which had the automatic effect of raising the revenues of provinces

without anything having to be done by virtue of changing exemption levels and deindexation and other changes which had the effect of increasing revenues from personal income tax very sharply even though the rates of tax were not changed.

All you have to do is study the reports of the Canadian Tax Foundation, or any other totally impartial bodies, to see that Manitoba's personal income tax burden grew very sharply during those years. Even though this government reduced the rate of income tax, the amount of tax paid grew very markedly and the burden shifted away from corporate taxes and onto personal income tax. Those numbers have been well established federally. The provincial government did not have to do anything to achieve that growth.

So yes, it could be used for positive purposes but could also be used, and restructuring has been used, to burden the middle class and to burden working poor people with increased personal income taxes in recent years.

* (1600)

Mr. Chairperson: Clause 10(2)(a) and (b)—pass.

Clause 11(1).

Mr. Sale: For the record, Mr. Chairperson, can the minister indicate the estimated cost of a referendum?

Mr. Stefanson: Mr. Chairperson, the best estimates are that if it is done in conjunction with a provincial election or some election where voting is already taking place, it would be about \$100,000. If it is done on a stand-alone basis, it could be as much as between \$1.5 million and \$2 million. Obviously, if you are looking at tax increases, we all know what amount of revenue tax increases can in fact generate, and once you have done that, they are there for many years to come. So it is something that any government should take very seriously. That is what the cost would be to allow the taxpayers to have their say on that important an issue.

Ms. Friesen: Similarly, a question to do with referendum. The preparation of a voters' list, is there any intention on the part of the government to have the

franchise established in any way different than that for the provincial elections?

Mr. Stefanson: Mr. Chairperson, if I understand the question, I believe that the process would be the same process as followed under The Elections Act conducted by the Chief Electoral Officer.

There is a regulation authority if something needed to be changed for any particular reason. I am not sure what that might be but it just gives that authority if there needed to be any changes, but the intention would be that normally it would be The Elections Act, as it currently applies, with the Chief Electoral Officer.

Ms. Friesen: Just for the record, the reasons for my raising this question are of course that this is under the heading of Taxpayer Protection. There is a difference between taxpayer and citizen, and I am wondering why in fact, even though I understand under 11(1) that The Elections Act is to apply, we do then have a separate one, regulations under 11(3)(a), governing the preparation of a voters list. So I would welcome some very clear direction from the minister on this on what his intentions are.

Mr. Stefanson: I am told that this wording is in part because of discussions that did take place with the Chief Electoral Officer in terms of, as I have already said, acknowledging that normally the conditions of The Elections Act would apply. But I believe it was at his specific request, without having an example here today, to provide the ability to make any adjustments through regulation.

I could certainly undertake to provide some additional information in terms of his rationale around what might be an example of why that would have to be the case.

Mr. Sale: Mr. Chairperson, clearly the minister required some discussion with his officials on this question, and it is an important question.

Will the minister, for the record, make an unequivocal statement that the voters list for a referendum will be no more restrictive than the provincial electoral list for a provincial election, that is,

that the franchise will be extended at least to all those who would be eligible to vote in a provincial election without any restriction?

Mr. Stefanson: Yes, I can give that assurance, and as I have indicated, this came from the Chief Electoral Officer only because there could be events that might happen with recent enumeration or some such thing that there might be other information that needs to be utilized. But the short answer to the member's question is, yes, I can give that assurance.

Mr. Chairperson: Clause 11(1)—pass; Clause 11(2)—pass; Clause 11(3)—pass.

Mr. Sale: I understood the minister to be making a commitment to the committee. I am just not certain whether he was going to reply in the House or reply in writing to us reasonably quickly in response to the questions about the Chief Electoral Officer and his concerns. For the record, is that what the minister is intending to do in regard to these three clauses?

Mr. Stefanson: As I say, the reasons came from the Chief Electoral Officer. I think it is just to deal with any unforeseen situations. If it is agreeable I can certainly undertake to provide a letter I guess to the critic or to the opposition and outline in more detail some of the rationale.

Mr. Chairperson: So for point of clarification then, Clause 11(3)(a) and (b) and (c) are according passed.

Clause 11(4)—pass.

Clause 12(1).

Mr. Leonard Evans: Mr. Chairman, I would like to ask the minister a question regarding 12(1).

Is there anything in this particular clause that instructs the government to act in a way that it already does not act in the normal proceedings of this Legislature?

In other words, my understanding, it is our practice, our tradition, if not in our rules, that any bill that comes before the Legislature is referred to a standing

committee of the Legislative Assembly so that the public can be heard, just as we had with this particular Bill 2.

In other words, is there anything—do I not see something?—are you offering anything here that is not already made available to the public of Manitoba? [interjection] I am talking about 12(1).

Mr. Stefanson: I think the short answer, Mr. Chairperson, is that the intent was that this bill would not be treated similar to other finance bills which, as the member knows, are treated just at Committee of the Whole, similarly, I believe, with the Fiscal Stabilization Fund, so it is really for that purpose that it would not end up—some have suggested it is a Finance bill and so on, and we wanted to be sure that it was not treated in that kind of a way, that there was the opportunity to come to committee for public input if any changes are going to be made to this legislation.

Mr. Leonard Evans: Well, this particular bill, Mr. Chairperson, is here before this committee and we did hear representation. Is the minister suggesting he could have avoided coming to this committee and instead go to the Committee of the Whole to bring in this legislation?

Mr. Stefanson: Mr. Chairperson, as pointed out, one might be able to make that argument, not unlike The Appropriation Act, The Loan Act, The Statute Law Amendment Act and so on, and really the purpose of this clause is to make it abundantly clear that this bill and any future amendments should come before a committee where the public has opportunity for input.

Mr. Leonard Evans: But, Mr. Chairperson, surely the minister will agree with me that this particular clause is not necessary, because the government can simply decide, as it has decided with this bill itself, to come to this standing committee of the Legislature rather than the Committee of the Whole where, as I understand, the people of Manitoba do not have an opportunity to make representation. There is nothing preventing the government from saying, in its wisdom, we shall go with an amendment to Bill 2 to a standing committee so representation can be heard, just as we have done with this particular bill itself.

As I say, this is the redundant nature of the bill. I repeat, there is nothing in this bill that is giving the government really any power or authority to do what it could do with its existing legislation, with the existing legislation. It can carry on and carry on with its debt repayment schedule. It can use different formula, et cetera. It does not need the legislation. Similarly, this particular clause is not absolutely necessary.

Mr. Stefanson: Mr. Chairperson, I do not want to prolong this. I think I have already answered the questions and it makes it abundantly clear what the process should be.

I am bewildered whether the member is suggesting he does not want this bill at a committee for the public to have input and he does not want the opportunity, if it ever is going to be amended, for public input. That is the purpose of this clause, to make it abundantly clear that it cannot fall in with the financial bills and end up being dealt with without coming to committee. It is that simple, and I do not think we need any more debate on the issue.

Mr. Leonard Evans: Just one final comment, if I can make it. Of course we want public representation, but I would submit, Mr. Chairperson, as with the bill itself, it is a ploy, the bill is a ploy. It was part of the election campaign and to appeal to people who would like to see balanced budgets but do not understand that balanced budgets can be achieved without this piece of legislation. That is my point, and this is part and parcel of this entire ploy gimmick.

Mr. Chairperson: Clause 12(1)—pass; Clause 12(2)(a)(b)—pass; Clause 13(1)—pass.

Clause 13(2).

Mr. Stefanson: Mr. Chairperson, I have a very brief amendment that accomplishes—it is the same issue I spoke to earlier in terms of the Fiscal Stabilization Fund being maintained at the target level of 5 percent of expenditures. This is the other element of the amendment when I responded to the question from the member for Crescentwood (Mr. Sale) earlier this afternoon.

Mr. Chairperson: Has the committee had an opportunity to peruse the amendment?

MOTION:

THAT subsection 13(2) of the Bill be amended, in the proposed subsection 3.1(2) of The Fiscal Stabilization Fund Act, by adding "at least" after "reaches".

[French version]

Il est proposé que le paragraphe 3.1(2) de la Loi sur le Fond de stabilisation des recettes, énoncé au paragraphe 13(2) du projet de loi, soit amendé par adjonction, après "atteignant", de "au moins".

Mr. Chairperson: On the proposed motion of the honourable Mr. Stefanson to amend Clause 13(2) with respect to both the English and French texts, I find the form of the motion in order. Shall the motion pass?

Mr. Sale: Same point in regard to this amendment, Mr. Chairperson.

I have no problem with the notion within the context of a bill. It is not necessary within the context of a bill that is full of holes in terms of what it intends to do. There is a certain consistent inconsistency here in terms of a Fiscal Stabilization Fund. The notion that it would be even bigger than 5 percent and that the minister is to use all of his good offices and energy to achieve at least that level strikes fear into my heart on behalf of low-income Manitobans. So, with those comments, obviously, the government is going to pass it.

Mr. Chairperson: Further discussion? Shall the amendment pass—pass; Clause 13(2) as amended—pass; Clause 13(3)—pass; Clause 14—pass; Clause 15—pass; Preamble—pass; Title—pass.

Shall the bill as amended be reported?

Some Honourable Members: No.

Mr. Chairperson: Those in favour of voting for reporting the bill as amended, please say yea.

Some Honourable Members: Yea.

Mr. Chairperson: Those who are opposed to reporting the bill, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Yeas have it.

An Honourable Member: A recorded vote, Mr. Chairman.

A COUNT-OUT VOTE was taken, the result being as follows: Yeas 5, Nays 3.

Mr. Chairperson: The bill accordingly will be reported as amended. This completes consideration of Bill 2.

What is the will of the committee?

An Honourable Member: Committee rise.

Mr. Chairperson: The committee shall rise.

COMMITTEE ROSE AT: 4:15 p.m.

**WRITTEN SUBMISSION PRESENTED
BUT NOT READ**

Presentation to the Standing Committee on Economic Development

I am appearing before this committee to register my opposition to Bill 2. I am concerned about the direction this government has been taking during its time in office. There seems to be only one agenda-cut costs. While that is an enviable, in fact necessary task, there is more to governing than balancing books, and more to cost cutting than reducing workforces.

There are as many solutions to the problems which face us as there are coffee-break discussions. These never seem to make it to the Legislature. Lately, the government seems to be distant from the people it is hired to serve. Perhaps this has always been the case, but for the past few years that distance seems to have increased. Such an approach will give a government power, but it will not give respect.

That lack of respect is exacerbated by legislation such as Bill 2. The fact that this kind of legislation is not well liked by ordinary citizens should be of no surprise. In a three-party system of government, it is entirely possible for the party in power to have had more people vote against them than for them. It would be wise to remember that government is for all people, not just a third of them.

Please consider the following points of opposition to this proposed legislation:

1. On the definition of terms page at the beginning "Fiscal Stabilization Fund" is defined as "Fiscal Stabilization Fund." Later, "general purpose debt" is clarified as meaning "general purpose debt." If this was included in a high school essay, marks would be lost over such meaningless definitions. Later in the document, where definitions are necessary, none are given.

This is a poor introduction to a government document. The writer seems to be unable to use the language properly.

2. The purpose of this bill, to legislate that no government can incur a deficit is, to say the least, idealistic. While no one would easily choose to have a deficit budget, and while much argument can be made against the philosophy of doing so, reality dictates that there are times that such a course of action is unavoidable, or even necessary. The proposed legislation would potentially put future governments in the position of having to make some drastic spending cuts. Such cuts invariably hit salaries since salaries are the largest expenditure in most budgets. That will put social services like Health, Education, and Justice in the position of having to lose staff and thereby be less effective at their jobs.
3. Having stated that the government is to balance the budget by law, the bill includes clauses to provide an escape from the responsibility of following that law. In Section 3(2) if there is a "regional urgent public concern" then an unbalanced budget is not a problem. The difficulty with this is a complete lack of definition of what that means. Who is the

"public" in this phrase? How large is a "region?" What might constitute a "concern?" What length of time determines an event being "urgent?" In subsection "(c)" there is the question of how a 5 percent reduction can lead to a deficit budget. How was that number developed? Why is such a clause even inserted in a bill like this? What is the point of passing any legislation if it is so easy to ignore the act and apply to one of the "escape" clauses?

4. Section 4(1) is an extremely upsetting clause. Forcing a government to declare a surplus following a year of deficit budgeting can only lead to frustration and turmoil in any government agency or funded program. Deep and quick financial cuts may be needed to comply with this clause. Once again salaries would be viewed as being an easy target and once again, as this current government has shown, the social services would provide an easy target.
5. Section 7 of this bill represents a cowardly act on the part of the writers of this document. If the government cannot provide a balanced budget, they get to blame the Executive Council and even dock their pay instead of shouldering the responsibility of their actions. Such scapegoating should be beneath the dignity of elected officials. It is also interesting to note that no bonus in pay is offered to the Executive Council if they do a good job with the budget.
6. In Section 8(10) the government is given far too long a period of time to deal with the matter of reporting to the public at fiscal year end. The period during which audited statements should be filed does not need to be half of the next fiscal year. Why is it that small businesses, charitable groups and others must have their books audited immediately, but the government needs six months?
7. The job of a government (among other things) is to set a tax level, then collect it so that the fund of money can be used for the general good of the people being governed. For a government to legislate a referendum as in Section 10 for any

future tax change is, at best, a contradiction in terms. Holding a referendum on any issue is a lengthy and costly process which may not even provide a truly accurate sense of the wishes of the people.

The job of an elected official is to determine the wishes of the constituency and represent them in the Legislature. That is what MLAs are hired and paid to do. If the government is afraid of making decisions, or does not know the wishes of the constituency, then perhaps you are in the wrong job.

In conclusion, I must say that these criticisms are just that. I do not have any suggestions to improve this bill. I cannot provide you with anything better. I am simply suggesting that there are too many things wrong with the entire concept. The bill should be withdrawn. At that point, it would be useful for the government to consider ways in which it can help direct the people of Manitoba into the future in a less threatening environment where citizens can feel that we are considered in the process and therefore part of the solutions to the problems that confront us.

Ian Fillingham, Winnipeg, Manitoba