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of the

Legislative Assembly of Manitoba

**DEBATES
and
PROCEEDINGS**

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Thirty-Seventh Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, May 25, 2000

The House met at 10 a.m.

PRAYERS

Introduction of Guests

Mr. Speaker: Prior to Orders of the Day, I would like to draw the attention of all honourable members to the gallery where we have with us this morning, from the Beaumont School, 29 Grade 5 students under the direction of Ms. Melissa Klimack. This school is located in the constituency of the Honourable Member for Charleswood (Mrs. Driedger).

On behalf of all honourable members, I welcome you here today.

ORDERS OF THE DAY

Hon. Gord Mackintosh (Government House Leader): Mr. Speaker, before moving the Supply motion, there are two matters that will require leave. First is that the Estimates of Industry, Trade and Mines will resume on Monday and that by leave the Estimates for the Department of Agriculture will begin in the Chamber, if you could canvass the House to determine if there is leave for that substitution today.

Mr. Speaker: Is there leave to switch Industry, Trade and Mines, which will resume Monday, to Agriculture for today? *[Agreed]*

Mr. Mackintosh: The second matter requiring leave, Mr. Speaker—and this really reflects a glitch, I think, in the rules that we can deal with at some point, but when the Committee of Supply finishes at noon today, if it will simply recess and reconvene without further notice after Routine Proceedings on Thursdays until further notice. So, if you could canvass the House to determine if there is leave for Committee of Supply to recess at noon and reconvene after Routine Proceedings on Thursdays.

Mr. Speaker: Is there leave to recess at 12 noon and reconvene at 1:30 p.m. for the afternoon

until further notice? *[interjection]* I just want to clarify that it will be after Routine Proceedings. Agreed? *[Agreed]*

Mr. Mackintosh: Mr. Speaker, I move, seconded by the Minister of Finance (Mr. Selinger), that Mr. Speaker do now leave the Chair and the House resolve itself into a committee to consider of the Supply to be granted to Her Majesty.

Motion agreed to.

COMMITTEE OF SUPPLY (Concurrent Sections)

FINANCE

* (10:20)

Mr. Chairperson (Harry Schellenberg): Good morning. Would the Committee of Supply please come to order. The Committee will be resuming consideration of the Estimates of the Department of Finance.

When the Committee last sat, it had been considering item 4. Taxation (a) Management and Research (1) Salaries and Employee Benefits, on page 82, which reads \$1,038,700. Shall the item pass?

Mr. Harold Gilleshammer (Acting Leader of the Official Opposition): I would just like to put on the record that there has been some misunderstanding, I guess, between our House Leader and the Government House Leader about the order of Estimates and that we anticipated another department would be in here this morning and that we are hopefully going to be able to have our Finance critic here in due course. In the meantime, we will proceed with some questions.

At this time, I would like to just revert to page 63, if we can, in the Supplementary Information for Legislative Review.

Mr. Chairperson: Is there leave to revert to 7.3.(f)? *[Agreed]*

Mr. Gilleshammer: Mr. Chairman, on the Enterprise System Management, which was previously titled Better Methods, I wonder if the Minister could tell us what substantial changes have taken place there other than a change in name.

Hon. Greg Selinger (Minister of Finance): I do not believe there have been any substantive changes. As you know, it was brought on stream April of '99. It is really trying to implement it and achieve its full functionality.

As you recall from the last meeting, we have recently ordered the upgrade on the software which we are endeavouring to have installed before Christmas, which, we hope, will then allow us to have even greater functionality with respect to that system.

Mr. Gilleshammer: On page 63, it indicates there are four full-time equivalents who will be working in this area. I wonder if the Minister could indicate who those people are.

Mr. Selinger: I am informed that those four FTEs are essentially data base specialists.

Mr. Gilleshammer: The expenditure line there shows considerable expenditures. Can you indicate any breakdown of those expenditures for the Committee?

Mr. Selinger: I also believe this was indicated last time. The Comptroller is working on a breakdown of those expenditures. and he hopes to have them available soon.

Mr. Gilleshammer: So am I given to understand that a figure has been put in the Budget for expenditures for the Enterprise System, but the money has not yet been allocated?

Mr. Selinger: The amount of money that was put in the Budget was to handle both operational requirements and consulting requirements.

The proportions of that money allocated to those various functions are being determined now with response back to the comptroller and then made available, if you wish, to yourselves and other members. But it was really an attempt

to ensure that there were resources there to allow the system to function effectively.

Mr. Gilleshammer: Given that response, then there are no capital requirements that will be drawn from this expenditure?

Mr. Selinger: Yes, this is simply operational money. The capital is identified later on.

Mr. Gilleshammer: The consulting then, this will be tendered in some fashion to give, presumably, Manitoba companies an opportunity to bid on this?

Mr. Selinger: The contract for the upgrade of the SAP system was tendered, and currently those bids are being reviewed.

Mr. Gilleshammer: Does this replace any of the existing staff that have been employed by the Manitoba Government over the last number of years?

Mr. Selinger: All the staff for this project have been on secondment from other departments, and as the project settles down some will remain to work on the project and some will return to their original stations.

Mr. Gilleshammer: So there has been no significant staff changes in this area then, that the people who have been seconded will remain or return to their previous jobs within government with the departments that they were previously employed by.

Mr. Selinger: Yes.

Mr. John Loewen (Fort Whyte): Mr. Chairman, page 62 talks about configuring and testing Finance, Procurement, Human Resources and Payroll processes/modules.

Could the Minister tell us which modules are, in fact, in use right now and an implementation schedule for the rest of the modules?

Mr. Selinger: I am informed that parts of all of those modules are, in fact, being used while others are not being tapped yet for their functionality. The specifics on that we would

have to take as notice and provide you with the detailed information.

Mr. Loewen: Okay, well, I would appreciate seeing that information as soon as possible, and maybe if that could be in conjunction with the breakdown of the \$8.5 million, that would certainly be appreciated.

I guess with specific reference to the payroll processing module, is that module functional today?

Mr. Selinger: Yes. That is one you would have some interest in, as I recall.

Mr. Loewen: Just on that note, I wonder if there has been an analysis done on the cost of producing the payroll, including the capital cost for this module by the province.

Mr. Selinger: Somehow I thought you would go there. When you say analysis here, I am assuming you are looking at in-sourcing versus out-sourcing analysis. Is that what you are alluding to?

Mr. Loewen: I would hope that the Minister would be able to tell us what the all-in costs are for this payroll module, including the purchase of the module, including the software upgrading costs that would have had to be undertaken. It is my understanding that the Province of Manitoba was the first Canadian payroll application for SAP, and I guess I would be interested in what the total cost would be in that area.

Mr. Selinger: In response to the question from the Member for Fort Whyte, the costs were done on a global basis. They were not broken out by module. Also, we are the first public sector organization in Canada to do the payroll, but the payroll has been implemented by other organizations within the country.

Mr. Loewen: Well, just for the record, and understanding my background in the payroll business, maybe the Minister could get clarification on that because certainly my understanding from previous history in the business is that this was the first application, the first Canadian application, period. So, presumably, in the request for proposal, there

was information if there were other Canadian installations.

My understanding was that the previous system, the cost to the Government was approximately 15 cents to 17 cents per item, was a number that had been quoted previously in terms of the cost of issuing a payment for a payroll payment. I am just curious whether there had been a reduction in that cost, an increase in that cost, or whether, in fact, the Minister can tell us anything about a cost comparison between the old system and the new system.

Mr. Selinger: To date, there has been no comparative cost analysis done between the old and new system.

Mr. Loewen: I would ask the Minister, in the interests of proper cost control, would he be able to get from his department a comparison of the all-in cost of the current system and compare that to the previous cost to see if there has been an increase in the cost? Perhaps at the same time he could ask his department to see if there are less expensive alternatives out there.

Mr. Selinger: My officials are prepared to take a look and see what they can develop in terms of analysis there. It would take some time and energy to do that. It is not something they can just pull up at their fingertips, so we will have to take that as notice.

They inform me that part of the issue there would be an apples-to-apples comparison because of the different roles that the systems play. The legacy system was regardless of the cost, apparently becoming quite outdated, and the move to the new SAP system, or the Better Methods Initiative, was one that was done on a more global basis throughout the Government, as I understand it.

I understand that it was also driven, in part, by the Y2K requirements, that regardless of the cost-per-transaction issue, they had to upgrade to meet Y2K requirements, and so the Better Methods Initiative was part of that larger thrust to make our systems compliant to meet that threat which was successfully dealt with by the lack of negative reaction on January 1, 2000. It

was part of that larger context that a lot of these new systems were brought into play.

* (10:30)

Mr. Loewen: The Minister mentioned that part of the \$8.5 million that is being budgeted for this area for this work is going to be spent on consultants and systems firms who upgrade, understanding—and he has already indicated that there are presently some responses to RFPs that are being analyzed.

Can he indicate what outside firms are presently providing ongoing consulting and operational support to SAP?

Mr. Selinger: In the past, the three firms that have been consulting on the SAP system, as indicated to me by my officials, are the SAP organization itself, Deloitte and Touche and Hewlett-Packard.

Mr. Loewen: In terms of those consultants, does SAP have staff located in Winnipeg or in Manitoba?

Mr. Selinger: Not to our knowledge.

Mr. Loewen: So, the consulting staff from SAP are, I gather, from outside of the province flying in to provide their services to the Government, and there is no commitment to establish an office in Manitoba.

Mr. Selinger: We are not aware of any commitment to establish an office here, but they are providing consulting services, and they do have to fly in occasionally to do that.

Mr. Loewen: Would part of the training and upgrading for this system involve expenditures of staff from the Minister's department travelling to SAP training locations?

Mr. Selinger: Yes, that has occurred.

Mr. Loewen: Could the Minister advise us where that training location is, and has a budget been allocated for the amount of training and travel expenses that were required for people to go out of province to get the proper training for SAP?

Mr. Selinger: Training is included, in part, in the number that you see before you here, and they will, as I indicated earlier, endeavour to break that down for you. The location for the training depends in part on the number of people that require the training. Some leave the province to go to a training site, and that will be identified for you as part of this response. Sometimes the SAP people bring their trainers here to train staff, so we will have to take that as notice and give you more details on the specifics of what is going on there.

Mr. Loewen: On the same information, you may have to get back to me on this as well, but the Deloitte and Touche support that has been provided, I know that Deloitte and Touche certainly has an audit department in Winnipeg. Do the staff from Deloitte and Touche who are providing consulting service from SAP reside in the Winnipeg office?

Mr. Selinger: I am informed that most of the IT consulting through Deloitte and Touche is also from outside of our jurisdiction.

Mr. Loewen: Well, just for the record, for the Finance Minister's, I guess, future reference, having spent 25 years with Deloitte and Touche as our auditors, I am sure they would appreciate, and I am sure the original founder of the firm, Mr. Touche, would appreciate his name being pronounced right. It is Deloitte and Touche, just for future reference.

Has there been any consulting provided by the local Deloitte and Touche office with regard to the project?

Mr. Selinger: I am informed, in terms of the consulting provided through Deloitte and Touche, that one person has been involved out of the Winnipeg office and the others have come from outside, primarily from the Calgary location.

Mr. Loewen: I would ask: The one person that is involved from Winnipeg, are they also involved in the audit side of the business of Deloitte and Touche?

Mr. Selinger: The local person from that firm was involved in the SAP implementation, is not

currently involved, and, no, they were not from the audit side of the firm.

Mr. Loewen: Could the Minister explain Hewlett-Packard's role in the project? Are they doing more than providing hardware and hardware consultation?

Mr. Selinger: I am informed that that firm did do an assessment in the year gone past and that they looked at how to make the entire system more efficient, including hardware, but also processes. Their objective was to reduce the reliance on outside expertise to operate the system and look at ways that it could be more managed from within internal resources of the Government.

* (10:40)

Mr. Loewen: With regard to Hewlett-Packard and their role in particular in the hardware consulting side of it, can the Minister indicate which of these systems will operate on mainframe computers and which of these systems will operate on microcomputers?

Mr. Selinger: The entire system is client-server based. So they use servers, they do not use mainframes. The printing portion is done through ISM, because apparently they have the printing capacity that allows high-speed, high-volume printing. So that is out-sourced, in effect.

Mr. Loewen: Well, maybe I could ask the Minister to explain that in a little more detail. Client-server, I guess, within the industry has a number of different variations.

Is the Minister saying that all of the processing is done on microcomputers, or is the server a mainframe that has microcomputers connected to it? I guess what I am looking for is the actual processing itself. Is that done on a mainframe computer or is it all done on micros?

Mr. Selinger: I think it is somewhat in between a mainframe computer and doing it right on the microcomputer itself. The server itself is kind of an intermediate mechanism.

As you know, in the industry, we are going through different evolutions here. Originally, it

was all mainframe-driven, and then there was a big move to desktop that we discussed in the '90s, with respect to the City of Winnipeg. Now there seems to be an evolution away from having all the computing capacity right on the desktop back to a new generation of servers. They are not mainframes, but they are servers, and different desktop facilities attached to those then use them for efficiency purposes.

Mr. Loewen: Can the Minister tell us where the client servers are housed? Are they also housed at ISM, similar to the printing?

Mr. Selinger: Yes, the main servers are in public domain in the Norquay Building. I am being a little careful here. There is some backup capacity in confidential locations.

Mr. Loewen: I would ask the Minister, given that most of this work was previously done by Manitoba Data Services, which was sold to ISM and their office set up north of Portage Avenue, it would seem that a lot of this work has come away from ISM and gone directly in-house to the Government's department. Can he give us an indication on what the ramifications have been to ISM in terms of losing this work?

Mr. Selinger: There has been a shift from using ISM facilities to in-house server capacity. We were informed that it was not a significant proportion of the work that ISM was doing and had marginal impact on their operations but was able to be done more efficiently through our system. The only thing that seems to be continuing to be handled through the ISM is the printing component. I am informed that that has occurred over the last year, that transition, as the SAP system became functional.

Mr. Loewen: I would ask the Minister then, is this an indication of sort of the direction that this department is heading back into, taking control of its own data processing in-house as opposed to using, I guess, what in the industry would be referred to as out-sourcing, and will the eventual outcome of this move see that result in a reincarnation or rebirth of MDS?

Mr. Selinger: I am informed that the location of the processing capacity is being driven mostly by technological considerations, and right now

the office of Information Technology is assessing the appropriate mix of in- and out-sourcing, but there is no specific vision of recreating an organization like MDS. It is really being driven by the ability to provide a cost-effective service with the best technology in a way that delivers the best product.

Mr. Gilleshammer: The Minister referenced work that was done for purposes of Y2K compliance. Can he indicate if there were any issues around that that were surprises for the Minister and the Government?

Mr. Selinger: The common reaction to the Y2K experience was that it was, as far as I can tell, an unqualified success. There did not seem to be any substantive issues that arose as a result of that. I am not aware of any negative impacts that we experienced in the immediate switch-over to the new year. They kept the system up for about, I believe, three weeks to a month after that to ensure that nothing happened, and I had no reports of negative incidents that occurred as a result of that. It was considered a successful intervention to prevent any problems.

Mr. Gilleshammer: I am pleased to hear that, and I think it is a tribute to the staff and the individuals who were working many long hours and months on that and pleased that they were successful. Given the sensitivity of a lot of the government information and the activities that are entered into by individuals out there, have there been any security breaches with any information since Y2K in recent months?

Mr. Selinger: The only major event that we have had since Y2K is, you may have read it in the newspaper, this global virus, I think it was called the love letter, that showed up on the screens of many computers on people's desks. Our Information Protection Centre was right on top of that.

As I understand it, we had very minimal exposure there. I think it was something less of 30 work stations. In Manitoba the 12 out of 240 servers were infected and only 40 out of 10 000 work stations, so we had a very small exposure compared to other jurisdictions, such as countries like Sweden, where virtually the country shut down, and Great Britain, where

Parliament shut down for a period of time. We took our e-mail system off-line until we could virus-proof it, and I believe it was back up and running within the week. Is that correct? Within the week.

So we consider the Information Protection Centre to have been a very effective mechanism, organizational mechanism, to detect these sort of alien intrusions into our information management system. It proved its worth in this love bug virus experience.

Mr. Gilleshammer: I wonder if the Minister can give us some more detail about the staffing levels and the activities of the Information Protection Centre.

Mr. Selinger: With the patience of the Member, that will be covered when we come to that appropriation. We are going to have a separate section on that.

Mr. Gilleshammer: The recent limited breaches of the system, then, I think, speaks well for the work that has been done by those individuals. What steps have been taken to try and eliminate this in future attempts by hackers or others to get information from you?

Mr. Selinger: The Information Protection Centre is considered to be on the leading edge of government responses to security measures with respect to information management in government. We plan to continue that with the staff that are there, continually receiving training to upgrade their ability to detect these threats to our system. They are part of a national and international environment of technical specialists that specialize in information protection. So there is a network across Canada that meets and discusses these items. We are sort of continually upgrading our knowledge of what threats there are to the system and looking for ways to prevent them happening here.

When you consider that \$10 billion of damage was done worldwide, our relatively modest exposure, we had no information that was in any way accessed by that Love Bug virus. When we had 12 out of 240 servers and 40 out of 10 000 workstations that were infected but no information being in any way accessed by that

Love Bug, we felt we had a pretty strong response compared to other jurisdictions.

* (10:50)

Mr. Gilleshammer: With the breaches of the system, even though limited, is there any disciplinary action that has been taken other than further training in this area for those individuals?

Mr. Selinger: We can take further discussion on this under OIT when I will have other officials here. But, at first blush, there were no errors or negligence of any kind performed by our staff. Simply the virus showed up on their screens. In a small number of cases those documents or those Love Bug or e-mail messages were opened by some people and some of the files were contaminated. But in the overwhelming majority of cases, even that sort of curiosity action on the part of seeing a new e-mail was prevented by timely action on the part of the Information Protection Centre. We see no disciplinary measures that are required, but we do constantly want to remain vigilant with training and information to our employees to make sure that they detect these things before they can do serious damage.

Mr. Gilleshammer: Does the Minister foresee the Information Protection Centre in staffing that area continuing into the foreseeable future?

Mr. Selinger: We do plan to continue the Information Protection Centre.

Mr. Loewen: I would ask the Minister, there are a number of ways and different forms that contracts get drawn up with with firms like SAP regarding the availability of their source code and who does the upgrading. Could he advise us the nature of the agreement with SAP? Has the software been licensed to the Province of Manitoba? Will the Province of Manitoba handle the upgrading internally or are system upgrades done by SAP at an ongoing cost to the government?

Mr. Selinger: In response to the question from the Member for Fort Whyte, I am informed that we do get the licence and have access to all the upgrades. The incremental costs are required to have the expertise available to us to install and

implement those upgrades in the most effective and efficient manner possible.

Mr. Loewen: Would the source code be in escrow for the Province's use, should anything untoward happen to SAP?

Mr. Selinger: I am going to have to take that question on the source code as notice and get back to you with the specific status of that.

Mr. Loewen: Can the Minister tell us if it would be the intention of his department to gravitate to a point where they could upgrade the system with our own resources here in the Province of Manitoba as opposed to relying on SAP, who, I guess, has no commitment to put staff or office facilities in Manitoba? Will there be an opportunity to somehow move that part of the systems development to Manitoba to provide the types of jobs and employment that would be of great value to this province?

Mr. Selinger: In general, I think the thrust of the Member's question is whether we can develop local expertise in this SAP area and upgrade area, and I am informed that the expertise for these upgrades is in extremely short supply right now across the country. So it is hard to come by. But I would agree with him that the more you can have people available on a local level who have this expertise, it not only allows us to make our systems more functional, but then it is something that we could potentially export as well to other jurisdictions.

At the moment, what I am informed of is that the older version of the software was not providing the functionality that was required and that SAP, in fairly short order, was going to stop servicing it. So I am sure you will understand the pressure we were under to upgrade to achieve new functionality and to make sure we stayed current with that system, and we had to make a timely decision on that in order to have it ready for next spring.

So we have moved on that, but as I understand it, part of what we are doing with this contract is we are getting training for our people locally, so that they are better able to manage the system and have greater expertise in making the system serve our purposes.

So that transference of skills is something I think we would both agree is an important part of what we do. We do not want to be continually reliant on external expertise outside of our jurisdiction.

Now, the time frame on that is something I do not have carved in stone, but we are trying to move in that direction with the way we let our contracts for further upgrades and training.

Mr. Loewen: Thank you. I certainly appreciate the Minister's response and his indication of the direction that they would like to take. I guess my experience has been that it is not unusual when you enter into these types of arrangements for suppliers to indicate somewhere down the road that they are not going to support the system anymore, and the next thing you know there is a substantial bill to upgrade. I do not expect this is the first time that SAP has done this in their marketing strategy, and I would certainly not expect that it would be the last time SAP does that in their marketing strategy.

What I would ask, I guess, is for the Minister to let us know if, in fact, there has been any looking forward beyond the \$8.5 million that is in this year's budget to the future in the next two or three years in terms of what other expenses might arise as a result of systems obsolescence or the annual changes that are required in payroll by legislation, as well as any changes that the Government would require to these systems to meet its ongoing needs.

Mr. Selinger: With respect to the question from the Member for Fort Whyte (Mr. Loewen), we have a written guarantee that SAP will support the latest upgrade that we have agreed to go ahead with until September of 2003, which, apparently, is one of the longest commitments that a software provider has made to a client, and that includes any legislative requirements that impact on that software.

So we believe we have negotiated a pretty good arrangement with them for their ongoing support. During that period, we will obviously carry on training our own people to be able to manage that better with our own expertise within the Government and in the community.

Mr. Loewen: Would that same contract involve a guarantee by the Province that they continue to use the staff of SAP to handle any reconfigurations or upgrades to the system until September 2003?

Mr. Selinger: No, we do not have any reciprocal agreement to use their expertise. We can take it from the marketplace, as required.

* (11:00)

Mr. Loewen: The systems can get, I am sure, as the Minister is aware, inextricably locked together to the point where if better alternatives come along for any of the particular modules such as procurement that will provide more functionality at a lower price to the Government, is there the option at some point in the future to have a different system for any given module, replace the SAP, total configuration, or are the systems going to be so tied together that the Government is going to be relying on SAP for all the systems?

Mr. Selinger: I am sure the Member will appreciate that the former government was the one that made this decision. Apparently, when they opted for the SAP approach, they opted for an integrated system with the respective modules to work together to achieve greater efficiency. The other thing I have noticed since I have been looking at this area is that the technology or the advances made by various software companies, they tend to leap backwards and forwards at the time the decision is made. Presumably, the SAP was the one that seemed to offer the best value.

But, since that decision, it is theoretically possible that another system could have leapt in front of it and on a today's evaluation look like it could do more, perhaps even at a better price. So you are faced with some difficult dilemmas here once you have made these enormous resource commitments, both on the capital and operating side. There is the possibility of going to another system that could interface with the SAP system, and then you would have to measure whether the cost of doing that was outweighed by the potential loss in efficiency by not having it as integrated as before. So these are part of the challenges of accepting a large—I do not know whether I would call it a top-down system, but a

large integrated system that sort of operates as one piece and has a lot of—as you say, they all interconnect, and it is hard to sort of get out of the Web once you get into it.

My understanding is that as the technology improves, companies are developing their products in a way that they can interact with existing sort of host systems. If they can interact with the same level or better efficiency, at the same level or better cost-effectiveness, then we would consider them. We are not committed to SAP because it is SAP. We are committed to trying to provide the best product. As a new government, this was the system that was put in front of us, and we had some serious resource requirements that we had to commit to to make it achieve its functionality. We decided we had to go ahead with that in order to provide the services of payroll and human resources that this government needs.

But, as we go forward, it is a dynamic context. I have already had other representations of possible ways that we could do some of these things, perhaps better. I do not claim to be an expert on the technical side of it, and my response is that if you can convince our technical people that what you are doing is better and more cost-effective, we will consider it. But you have to meet those technical thresholds. It is not a political thing for me. It is strictly a question of how we can get the best product and the best service.

Mr. Loewen: Well, once again, I appreciate the direction that the Minister has indicated that the Government would be willing to move at some point in the future. He is correct in saying that once you get going down the road in these systems, you can get to the point where you become totally reliant on one supplier. Of course, in their grand strategy, that is maybe where they want to lead you step by step. I guess our hope, as well, would be that at some point in the future there is a complete and thorough re-look. I am sure at the time that the decision was made to move to SAP—and I am familiar with their product and with the services they provide and the inroads they have made in Canada in terms of I guess the public sector and the large business market. They certainly have a good reputation. But, as the Minister indicates, the

nature of the business is that things change very, very quickly.

I guess I would ask at this time if there has been any discussion with SAP or any other suppliers, and we certainly see it in a lot of these types of applications. It is being seen in human resources and payroll and other financial applications where the software is actually available and through access to the World Wide Web.

Certainly, in terms of future directions, I would think it would be advisable for the Minister and his staff to keep a close eye on where this whole issue of the management of systems and availability of systems with regard to the options that are provided through the Web. Has there been any discussion with SAP or any other suppliers regarding taking advantage of, I guess, the cost efficiencies of the Web to provide some of these services to the Government?

Mr. Selinger: The question from the Member for Fort Whyte, I sort of understand it in two parts. The first part is, as we move forward, do we feel locked into the SAP system, or could we consider all other alternatives, including web-enabled alternatives? Is that really the thrust of your question?

In the short term, there has been enormous change within government just trying to implement this SAP system in the last year. My officials inform me that their first priority right now is to try and stabilize that system and derive more value from it. As we move to the new, upgraded version, it is my understanding that some components of it are web enabled and that it is able to, with some additional add-ons, add more web enablement. So it has the potential to do more web-enabled applications. I am sure the Member knows that seems to be the direction that most of these systems are moving these days.

So I think the answer is that we will be looking at that, but it is pretty hard at this stage to sort of consider a complete shift to another system before this one is even stabilized, but we would be looking at making sure that this system does the job in terms of web enablement and allowing that potential for the future, because

that seems to offer greater potential for real-time transactions and efficiencies that can arise from that.

Mr. Loewen: I thank the Minister for his responses. I do not think I have any more questions on this area, but I do believe we passed a line the other day subject to the responses that were indicated at the time. I am assuming that it would be subject to receiving the information that the Minister has indicated today that he would provide the Committee.

* (11:10)

Mr. Selinger: I understood we passed this line, but we will endeavour to provide you all that information. Just for clarification to the official critic, who has joined us, I understand there was some miscommunication about the scheduling of this event. I can tell him that I had some confusion around that point myself in terms of coming back last night, but we have been really dealing with the line that we passed last time in terms of the SAP system. So, as I understand it, we are really where we left off at Taxation. If you want to pick up and move from there.

Mr. Chairperson: I will just interrupt for a second here. We will return to page 82. 7.4. Taxation (a) Management and Research (1) Salaries and Employee Benefits \$1,038,700.

Mr. Eric Stefanson (Kirkfield Park): We just started on this area when we adjourned the other day. I just want to bring to conclusion where the Government is at in terms of the relationship with the federal government and the new Canada Customs and Revenue collection Agency.

The way I understood the Minister's comments is that we are in ongoing discussions with the federal government. The stage we are at is really to do a review of, without putting words in the Minister's mouth, but I understand to do a review of how we are currently providing our services to effectively do an equivalent of a cost-benefit analysis.

Once all of that information is compiled it will help to form the basis of further discussion with the federal government as to whether or not it makes any sense to tax their services through

that new agency subject to what kinds of fees the federal government might be wanting to charge.

Mr. Selinger: I would characterize this slightly differently. I think we have made a commitment in principle to participate in the new revenue collection agency and have signed an agreement to that effect. I see my ADM of fed-prov relations if he wants to join us for any further clarification. We are negotiating actively with this agency about the fees that will be charged for the services they render. That is certainly not unique to the Province of Manitoba.

All the provinces are negotiating with this new agency to clarify the fees, but we believe that a central revenue collection agency is in the best interests of the provinces and the federal government, that it can offer the efficiencies as opposed to having separate jurisdictions setting up their own systems. So obviously there are ongoing negotiations about the specific fees for specific services. We want them to be cost-effective. We want them not to be something that generates a surplus for that agency but offers us service at cost.

Mr. Stefanson: The Minister referred to, if I understood correctly, signing an agreement in principle with the federal government. Is that something that he is prepared to table, Mr. Chairman?

Mr. Selinger: The nature of the agreement that has been signed is a service management framework agreement. Part of that agreement is to provide performance standards for services that they already provide to Manitoba on an ongoing basis. We are not aware of any reason why that agreement could not be made available to you if you wished to have a look at it.

Mr. Stefanson: I just want to be clear then. The Government is saying, in principle they see some merit to potentially partnering with the federal government in some of these areas of collection and administration and so on, but there have been no commitments other than a willingness to participate in a process of review.

Mr. Selinger: That, I believe, captures it. There is also, within this framework agreement, provision for participation of our officials on the

management committee, so it is not sort of them providing a service to us at a completely arm's-length way, but it is a national agency with participation of the provinces on the management committee so that we can ensure we get the performance standards we are looking for.

Mr. Loewen: I would ask the Minister, given the nature of the changing methods of electronic payments, and it was indicated in a previous statement that it was certainly under review how payments would be accepted, that we have assurance that in setting up this organization there is access for service providers to provide payments electronically on behalf of companies who are required to pay these taxes to the new organization.

Mr. Selinger: With respect to the question on electronic payments and the relationship to the national revenue collection agency, T1 payments have been possible for several years through federal facilities, and it appears that they are continuing to move further in that direction. I am looking at T2 payments as well. We have no reason to believe that they would not continue that progress.

On the other side of it, with respect to collections under Manitoba statutes, that is part of the BSI initiative that we are continuing with, and that is a priority to provide that capacity to Manitoba organizations, to have electronic payment capacity through our own system as we continue to develop it, so there are sort of two levels there, both of which are moving in the same general direction.

Mr. Loewen: Maybe just for clarification on that, because again as we talked about in the section dealing with the controller's office and the new finance systems, the options are changing very rapidly.

Certainly historically the majority of those types of tax payments, the only vehicle that was available to, particularly on a taxation side, employers and to corporations was to pay through the bank with the advent of the World Wide Web. We are certainly seeing it on the individual bill payment side where there are a

number of companies that have started up and are paying bills on behalf of their customers.

I would anticipate that this is going to move very quickly to the corporate sector where there will be a number of options outside of the traditional banking industry for corporations to make payments, both to each other and to the various levels of government in a very cost-effective and efficient way. I guess my question would be in setting up, in negotiating how payments will be made for the various taxes that are identified in this section. Can we have some assurance that there will not be barriers and roadblocks placed in the way of corporations who are either new or getting into a new business of facilitating the payment of taxes and other bills electronically?

Mr. Selinger: In answer to the Member for Fort Whyte's (Mr. Loewen) question, clearly that is the direction that is being taken by all of the Government. However, in moving in that direction, we want to ensure that the proper controls and legislation are in place to validate these transactions and make sure that they are legally sound.

* (11:20)

Mr. Stefanson: Mr. Chairman, I think we are prepared to move the Management and Research.

Mr. Chairperson: Item 7.4. Taxation (a) Management and Research (1) Salaries and Employee Benefits \$1,038,700—pass; (2) Other Expenditures \$168,000—pass.

7.4.(b) Taxation Administration (1) Salaries and Employee Benefits \$2,858,300.

Mr. Stefanson: Mr. Chairman, in looking at this section in the Supplementary Estimates, I really want to ask some questions about the revenue increases, as one of the objectives, both here and through Management and Research, is to maximize revenue properly due to the Government. Looking at some of the areas of revenue collection responsibility in the area of retail sales tax, could the Minister provide what the projected percentage increase is in retail

sales tax for the year 2000-2001 over the current forecast for the year 1999-2000?

Mr. Selinger: Yes, we would have to do a calculation on the percentages, but on the retail sales tax line, I take it you are looking at B9. Is that the page you are referring to?

Mr. Stefanson: Yes.

Mr. Selinger: I think, as is indicated there, the estimate for this year is about 4.5 percent. The increase in retail sales tax over the third quarter forecast is 4.5 percent. That is the projection.

Mr. Stefanson: I guess what I was looking for—I could certainly take the time to do the percentage calculation off the forecast numbers in the Budget on page B9. I was just curious if the Minister has more current information, as these are our own source revenues and we do not need to be waiting on numbers from the federal government, so what I am really looking for is what the end result was for '99-2000 in terms of revenue growth. In fact, I should ask the Minister if he has a current number for '99-2000 of what our final retail sales tax revenue was, and it is from that number that I want to get a sense of what the percentage increase is and then what the basis of that percentage increase is.

Mr. Selinger: Just on that specific information, I am getting signals from the secretary of the Treasury Board that they would like to process and verify those numbers before they firm them up in the report of the last quarter. We have some information here but it has not been able to grind its way through the system entirely yet, and I am sure the member is aware of the obsessive desire of our officials to make sure the numbers are as accurate as possible before they release them.

Mr. Stefanson: Mr. Chairman, I would even be willing to accept numbers recognizing that they could change once that comprehensive review is done. What I am really trying to get a sense at is what the Government is projecting as revenue growth in retail sales tax, and I want to get a sense of what the basis of that is. That is what I am looking for, is to see how reasonable the expected growth is relative to our projected economic growth, and I guess just other

information that is available to all of us to see whether the Government is being aggressive or whether they are being conservative or whether they are being somewhere in between. That is what I am looking for.

Maybe the Minister could just provide me, at this stage, a sense of what they have done in that area and once we get the final number we will be able to do the calculation and see what the growth is. I am looking for a sense of whether the—and I will be asking that in each of these areas, or some of these other areas as to the approach taken by the Minister and the Government as to how aggressive they have been in terms of projected revenue growth. That is what I am trying to get a sense of.

Mr. Selinger: The Estimates are prepared based on Conference Board of Canada projections, and that is the basis upon which all the statutes were looked at that are in front of you in the Budget there and which I am informed is the same as previous years.

Mr. Stefanson: Mr. Chairman, that would be one component of looking at revenue growth. It would certainly be consistent with previous years, but it was not the only component, and then I want clarity.

Is the Minister saying that the revenue growth in these areas—we are talking now retail sales tax—the number he has used for revenue growth is the estimate of the economic growth for Manitoba as provided by the Conference Board of Canada? Is that the percentage growth in this area?

Mr. Selinger: Yes. I am informed that the information is based on the most recent forecast from the Conference Board of Canada in terms of retail sales and investment in Manitoba and what they would generate in terms of retail sales tax.

Mr. Stefanson: Just to clarify then, Mr. Chairman, should I be able to take the actual retail sales tax generated in 1999-2000 and multiply it by the projected economic growth provided by the Conference Board of Canada and that will equal the retail sales tax revenue for 2000-2001?

Mr. Selinger: It is not, my ADM of Federal-Provincial Relations says. It is the components of the forecast that make up the base with respect to retail sales tax, not the entire GDP amount. So they have broken it out with respect to those areas that relate to retail sales tax.

Mr. Stefanson: Mr. Chairman, to save me going to find those percentages, is the Minister then prepared to provide that breakdown and the components that have been used to calculate a projected increase? Then I am assuming that we can take the actual for '99-2000 in retail sales tax and multiply it by that percentage, and it should equal the \$950,700,000.

Mr. Selinger: My officials inform me that they think they can pull that information together. So we will take that as notice and endeavour to try and provide that for you.

* (11:30)

Mr. Stefanson: The mining tax revenue is showing at 2000-2001 of \$68 million, up from the '99-2000 third quarter forecast of \$10 million. Could the Minister provide us the background and details as to the basis of that revenue projection?

Mr. Selinger: The amount there is really an estimate provided to us by the industry without mentioning specific names, and their projection provided to us is based on their best forecasts for world metal prices.

Mr. Stefanson: Recognizing the Budget was just a couple of weeks ago on May 10, we are now almost two months into the year. Is the Minister still confident in that projection based on the first two-month performance?

Mr. Selinger: We are informed that the industry is still confident that that is the correct number.

Mr. Stefanson: The levy for health and education tax, the payroll tax, is showing about a \$6-million increase from the third quarter forecast. Could the Minister provide the basis for that adjustment?

Mr. Selinger: The additional revenue there is up approximately 2.7 percent, and it is attributed to wage growth.

Mr. Stefanson: Mr. Chairman, on page 71 of the Supplementary Estimates under Activity Identification, the fourth bullet down: "Processes tax refunds on a timely basis for Native Fuel and Tobacco Tax Rebate Programs." Could the Minister provide us with details as to how many agreements are in place on fuel and tobacco tax rebates?

Mr. Selinger: I will just drag the puck for a second. He has the number, but I can tell you that there have been many processed during my short term in office. We have signed off on several agreements. They are actively being renegotiated and put in place. And the number is—we will get that for you, the specific number, if you want to move on to another question.

Mr. Stefanson: I am wondering if the Minister is at liberty to say how many audits have been performed in this area during the last fiscal year or this year, year to date, and whether he is satisfied with the results of those audits.

Mr. Selinger: In terms of the numbers of agreements, on the tax-exempt fuel agreements, 56 out of 61 have arrangements made with the Government. On the tobacco tax-exempt agreements, 51 of 61 reserves have agreements as of September 30, '99. I believe that date is September 30, '99, in both cases.

On the question of audits, there are ongoing audits as part of the regular process of administering the agreements. I am sure the Member knows that the information with respect to those audits remains confidential, but the normal administrative procedures and audits are ongoing.

Mr. Stefanson: Mr. Chairman, in the area of tobacco-tax rebate, I know there have been ongoing discussions about looking at alternative ways to effect the rebate. I am wondering if any discussions are currently taking place in that regard or whether all parties are satisfied that the current system is the appropriate system.

Mr. Selinger: In general, the methodology in place for tobacco tax exemptions and rebates to bands is working well. There is an examination going on concurrently to look at other ways to improve that system and to make it more

effective, but for the most part the existing arrangements seem to be working quite well between our officials and First Nations communities that are participating.

Mr. Stefanson: So just to clarify, other than continuing to look at the system that is in place, there are no plans in place or proposals to change the system as it exists today.

Mr. Selinger: At the moment, the existing arrangements are the ones that are being planned to continue with. There is some potential to look at more efficient ways of doing that, but discussions are not sufficiently advanced that I could say to you with certainty that there would be a change in methodology at this stage.

Mr. Stefanson: I just want to go back to the issue of the audits. I am not expecting or looking for information on individual bands. I am looking for a sense from the Minister as to the overall results of the audits, whether or not he has been generally satisfied with compliance or whether there are outstanding issues in that whole area and so on. I know there was a problem with at least one or two particular bands not all that long ago. I am just looking for a general sense from the Minister as to compliance and acceptance of the approach in both of these areas, both fuel tax and tobacco.

Mr. Selinger: With respect to the two cases that the former minister might have recalled, those problems have been resolved. As you know, there are other issues that arise. They are being tackled as they come up, but there has been progress on the specifics that you might have recalled.

Mr. Stefanson: But just to bring this to a conclusion, I know from discussions, I guess, with the Assembly of Manitoba Chiefs and even individual bands, I am really just looking for a sense that on an overall basis these approaches are still acceptable and being complied with today.

Mr. Selinger: Yes.

Mr. Stefanson: Mr. Chairman, a question I know the Member for Elmwood (Mr. Maloway) would be disappointed if I did not ask is one of

the activities under here is "Collects and follows up outstanding tax arrears and delinquent tax returns." If the Minister has it right now or I am sure he can provide it very shortly, just what is our current status as it relates to the dollar amount of outstanding tax arrears for retail sales tax, what that is as a percentage of total retail sales tax, how we compare to other jurisdictions and how we compare to prior years.

Mr. Selinger: With respect to retail sales tax arrears, the amount outstanding is 1.88 percent, which is lower than last year's amount of 2.29 percent.

Mr. Stefanson: Do we have a sense how we compared to some other jurisdictions in that regard?

Mr. Selinger: There is no accurate information with respect to B.C. at this date. Saskatchewan has 0.64 percent outstanding, which was lower than their last year's amount by about a half. Ontario has 4.56 percent outstanding, which is about a quarter of a percent lower than last year, about 20 basis points lower than last year—19, to be precise. So we seem to be in the middle of the pack compared to those other jurisdictions.

* (11:40)

Mr. Stefanson: Mr. Chairman, I gather some discussion took place on Better Methods and Better Systems. I just ask a general question on Better Systems as to how satisfied the Minister and the Department of Finance are with the current status of the Better Systems Initiative, and whether or not they continue to be supportive and see benefits both to government and to the public in terms of the introduction of the changes as they affect the taxation system.

Mr. Selinger: With the patience of the Member, we would like to defer that to the OIT discussion and bring it up there. But the only thing that I think I could say with respect to taxation is we see the idea of moving with respect to providing electronic mechanisms for taxation as an important continuing priority. We would like to continue to modernize that system and to consolidate the statutes along with that.

Mr. Stefanson: I think we can move this section then, Mr. Chairman.

Mr. Chairperson: Line 7.4.(b) Taxation Administration (1) Salary and Employee Benefits \$2,858,300—pass; (2) Other Expenditures \$4,174,300—pass.

Line 7.4.(c) Audit (1) Salary and Employee Benefits \$5,208,900.

Mr. Stefanson: Mr. Chairman, looking at this section on page 75 of the Supplementary Expenditures, under Activity Identification, third bullet down, a reference to participating in the International Fuel Tax Agreement. Could the Minister just provide comments as to whether or not that is still working as well as it was in the past, whether it is still well received by the trucking and transportation industry?

Mr. Selinger: Yes, generally there is satisfaction with the way these agreements are working and we feel that they are well received by the trucking industry. Just parenthetically, as you know, we are moving to an international licensing regime for trucks. So that is the new area where there is work going on to find a way to make it effective for all the operators in Manitoba.

Mr. Stefanson: Mr. Chairman, I am just wondering if the Minister could update us on the status of some of the reorganization that has taken place within this area of the Department.

Mr. Selinger: During the course of the next year, the Audit Branch feels that it will have brought to fruition its reorganization plans. As the Member might be aware, there have been several retirements in this area, and restaffing is occurring on an ongoing basis. On the research side, I think I mentioned before that there is a new manager there, Leslie Snell, who has taken over as manager there for the research section, and she is backfilling her positions within that operation as well.

Mr. Stefanson: Mr. Chairman, I am just curious: What has been the impact within the Department of the additional positions that were provided last year? I believe there were certain revenue projections tied to the filling of those additional positions. I am wondering whether or not the goals and objectives that were outlined at that time have been met by the Department.

Mr. Selinger: I am happy to report that the revenue projections provided to Treasury Board, as part of the rationale for filling those positions, have been exceeded.

Mr. Stefanson: As well, in terms of the whole Audit Branch reorganization, I am wondering if the Minister has a cost-benefit analysis of that reorganization, and if so, whether he could provide us with those details of that today or subsequently.

Mr. Selinger: There has been an analysis of the reorganization provided to Treasury Board, but there is a concern about releasing it publicly and that names and positions are identified and the roles they are playing. So at a minimum, we would have to take that as notice and see what could be made available to you.

Mr. Stefanson: Mr. Chairman, I think it would be useful, even if it was an overview of the cost benefit without the details. I am curious whether or not the Department has done it on the basis of both the short term and the long term.

Mr. Selinger: We will take that question as notice, and my officials will try to provide an over-review for you of the results of that reorganization.

Mr. Stefanson: Mr. Chairman, I know that the Department has, in the past, established audit coverage targets, and I am curious how the Department is comparing today to those targets that have been set in the past.

Mr. Selinger: With the large number of retirements, some of those audit targets were not achieved, but as they restaff, they are confident that we will be able to meet those targets in the future.

Mr. Stefanson: Mr. Chairman, could the Minister provide for us what those audit coverage targets are either now or, again, subsequently?

Mr. Selinger: Those targets are provided in the annual report of the Department.

* (11:50)

Mr. Stefanson: Mr. Chairman, that will be helpful in terms of the historical. I guess what I would be looking for is whether or not the targets remain the same or whether they have been adjusted in any way going forward, and whether the Minister could provide that information.

Mr. Selinger: We will take that question as notice. We will endeavour to provide sort of the chronology of targets, and with the reorg there will be an increase in those target levels.

Mr. Stefanson: Mr. Chairman, I am prepared to move this section on.

Mr. Chairperson: Resolution 7.4. Taxation (c) Audit (1) Salaries and Employee Benefits \$5,208,900—pass; (2) Other Expenditures \$999,900—pass.

7.4.(d) Tobacco Interdiction (1) Salaries and Employee Benefits \$578,500.

Mr. Stefanson: Mr. Chairman, this is an area, I think, that the Minister probably has some background on, that I think the Department of Finance can be very proud of. I know, without going through all the history of this issue, when the federal government made the decision to lower tobacco taxes on the condition that provinces matched those reductions, we in Manitoba made the decision not to do that for a number of reasons, and the primary reason being the health of the citizens of Manitoba.

I know I was Minister at the time, and we had a number of delegations from the Heart and Stroke Association to the Lung Association to the Cancer Association and so on, all making very strong cases as to the direct link between price of tobacco and consumption, particularly amongst young people. That was certainly the overriding motivation of the position we took not to reduce our tax rates in Manitoba. There is an offsetting revenue impact, as well, but the motivation was driven primarily by the health arguments that were made. There were a lot of sceptics out there as to whether or not Manitoba could draw the line in the sand at the Ontario border and actually stem any smuggling activities in Manitoba and in the rest of Canada. We have now been doing it for a number of

years and, I think, done it very successfully. So I want to compliment the Department and everybody involved in this area for doing an outstanding job to date.

I just have a few questions in this area. Could you provide for me what the cost of a carton of cigarettes currently is in Manitoba compared to Ontario?

Mr. Selinger: It is about \$47.20 a carton in Manitoba right now. That compares to the price in Ontario, which ranges between \$29 and \$34 a carton.

Mr. Stefanson: Not being a smoker myself, I just want to clarify the \$47.80 price in Manitoba per carton, is that after the recent tax increase introduced in this budget?

Mr. Selinger: It was previously \$46. It went up about \$1.20 a carton.

Mr. Stefanson: Mr. Chairman, the federal government has been, I believe, just talking and proposing adjusting the federal tax rates. I am wondering if the Minister can provide us with information on any discussions or information the federal government has provided the Province of Manitoba relative to proposals they are considering in that area. If so, is it safe to assume that those increases would only take effect in provinces from Ontario east so that we would gradually reduce this price differential that currently exists?

Mr. Selinger: There is, the Member might know, a working committee of federal-provincial officials in this regard. It is our position that any changes would harmonize or standardize the price across the country. It is too early to tell with respect to those discussions at the officials' level about which direction is being pursued by the other jurisdictions on this matter. Our position, coming to the table, is to standardize the price to avoid the kinds of enforcement costs that we are incurring here to maintain our regime.

Mr. Stefanson: Mr. Chairman, I know in the early years, besides moral support, we were receiving some financial support from provinces west of us. That was gradually reduced and I

believe basically eliminated over time. I am just curious whether today we are receiving any financial support from any other provinces or territories.

Mr. Selinger: The short answer is, no, we get no other resources from other provinces, but we are informed that they are incurring their own enforcement costs now.

Mr. Stefanson: I am also curious as to the level of co-operation with the federal government in this whole area. My recollection is that we were working quite well with the federal government. I am just wanting to determine: Is that still the case today? Are they co-operative and supportive of our efforts to deal with interprovincial smuggling.

Mr. Selinger: In general, the co-operation has been excellent with us and the federal government. They have two officials working with us on a daily basis. The Customs has been very co-operative. As well, we have had good working relationships with the Ontario authorities, the Ontario Provincial Police.

There is a lingering concern that we have expressed to the federal Minister of National Revenue about an attempt to maybe try and take those staff back that are working on a daily basis with us. They are claiming that some regulatory changes they will make would more than make up for the loss of staff. We remain skeptical about that, but we have made representations directly to the federal minister about the value of keeping those staff in daily contact with our people to make this thing work.

Mr. Stefanson: I would share the same concern. Once they harmonize the price nationally, then they might be able to not dedicate some resources. Could the Minister provide for us a summary of the number of charges laid during 1999-2000 and year-to-date and 2000-2001 and the level of tobacco recoveries during those periods of time?

Mr. Selinger: The only numbers I have available at the moment, Mr. Chairman, which I will give to the Member, since the commencement of the program we have to break it out on a more annual basis, if you wish, but

since commencement, the taxation special investigations has seized 53 100 cartons of cigarettes and 1 896 155 grams of fine cut tobacco. They have brought 370 infractions related to tobacco smuggling to court, of which 236 have been successfully completed. Those have yielded \$416,850 in tax penalties and \$68,000 in fines and costs.

Mr. Stefanson: Mr. Chairman, are there currently any cases before the courts or outstanding as relates to charges in this area?

Mr. Selinger: There are pending charges. If you would want specifics as to numbers and stuff, we would have to take it as notice.

Mr. Stefanson: I would not mind a sense just of the number of cases that are still outstanding. I am wondering, on an overall basis, I believe we have been quite successful going through the courts, I think particularly after some amendments were put in place one or two years ago relative to changing the procedures allowing individuals to bring their one carton. I cannot recall exactly how it all worked, but you could go and make a request to bring in some additional cartons and so on. My understanding is that we continue to be quite successful in court. I am just wondering if that is still the case.

Mr. Selinger: It looks that with 236 successful cases out of 370 that our batting average is pretty reasonable here. In terms of the outstanding cases pending, we will have to take that as notice and get back to you on that.

Mr. Stefanson: The fact that I do not think we saw any technical amendments or any amendments in the taxation adjustment section of the Budget would tell me that the Minister and the Government are comfortable that we continue to be on solid ground in terms of any challenges relative to our ability to address this issue the way we are.

Mr. Selinger: Yes. I would agree with that assessment. We have no reason to think that technical changes are required with respect to tobacco interdiction enforcement.

Mr. Stefanson: Mr. Chairman, I am prepared to pass this area.

Mr. Chairperson: 7.4.(d) Tobacco Interdiction (1) Salaries and Employees Benefits \$578,500—pass; (2) Other Expenditures \$253,400—pass.

Resolution 7.4: RESOLVED that there be granted to Her Majesty a sum not exceeding \$15,280,000 for Finance, Taxation, for the fiscal year ending the 31st day of March 2001.

Shall the resolution pass?

Mr. Stefanson: Mr. Chairman, I was just going to say my understanding is we are going until noon. This might be an appropriate time to adjourn until this afternoon.

Mr. Chairperson: I will interrupt the morning sitting for lunch break. The time being 12 noon, I am interrupting proceedings. The Committee of Supply will resume sitting this afternoon following the conclusion of Routine Proceedings.

HIGHWAYS AND GOVERNMENT SERVICES

* (10:10)

Madam Chairperson (Bonnie Korzeniowski): Will the Committee of Supply please come to order. This morning this section of the Committee of Supply meeting in Room 255 will resume consideration of the Estimates for the Department of Highways and Government Services. As had been previously agreed, questioning for this department will follow in a global manner with all line items to be passed once the questioning has been completed.

The floor is now open for questions.

Hon. Steve Ashton (Minister of Highways and Government Services): I was just going to respond actually to a question raised yesterday by the Opposition Highways critic. What I will do is just read the comments and perhaps leave a written copy for the critic, if it could be passed on.

I just want to summarize concerning the right of individuals to seek permission to access provincial trunk highways. An application is reviewed and either approved or rejected by the

Highway Traffic Board. Section 21(3) of The Highways Protection Act allows the applicant to appeal the Board's refusal within 30 days of the date upon which the applicant received notice of the rejection by registered mail. The appeal is made to the Public Utilities Board, which we indicated yesterday. It holds a hearing de novo, and the Public Utilities Board is subject to section 58 of The Public Utilities Board Act. Section 58(1) of The Public Utilities Board Act outlines the grounds for appeal of Board orders and decisions to the Court of Appeal based on any question involving the jurisdiction of the Board, any point of law or any facts expressly found by the Board or relating to a matter before the Board. Section 58(2) outlines the conditions governing leave to appeal, which includes amongst others, the requirement that leave be taken only within one month after the making of the order or decision.

Once again, I have read that into the record, but I will leave a written copy, if we can pass it on, and I am more than prepared to provide more detailed information, if that is what the Opposition critic would like later on.

If I might be of assistance, we have been going back and forth. My intent as minister was to accommodate whatever the Opposition's requests were in terms of ordering a question. So there is no fixed agenda.

Mr. Edward Helwer (Gimli): Perhaps the Member for Carman has a few questions on your announcement. I just want to say, as the critic for Government Services, this is new for me. I have not done this before, Mr. Minister, so if you will bear with us and the staff also. As a matter of fact, I have never been in the position the Minister is in either on that side of the table. This is new to me, but we will try to do our best and try to keep order.

Mr. Denis Rocan (Carman): I appreciate, first of all, the Minister providing this information.

To the Minister and staff, I guess, for clarification, have we already dealt with, or yesterday would you have dealt with the Highway Traffic Board, where they approve or reject speed zone reductions on a particular highway passing through a town? Have you

already passed that section or worked through that section?

Mr. Ashton: There were questions on the workload at the Board and questions in regard to appeals, if that is what this response was made in regard to, but not specific questions on specific areas that the Traffic Board deals with.

Mr. Rocan: Through the Minister again then. I guess the question that I would like to pose through the Minister is what sort of guidelines are—and if you have already answered this explain that to me, and then I will review Hansard, and I will quickly read it. What sort of guidelines are put in place for the Board members when they are reviewing or deliberating over a particular request? In other words, if you were to receive a letter from a particular jurisdiction such as a rural detachment of the RCMP, the R.M. of Victoria case in point—we are talking about Holland here now—who have made application because of several businesses on the north side of the highway, and they are asking for a speed reduction. I guess the question that they have asked me to put to the Minister was: Under what sort of guidelines would the Board base its decision?

Mr. Ashton: I cannot speak for the Board directly in the sense that being a quasi-judicial body it does conduct its own affairs, but I think the important thing is to run through the process. I think that probably is the best way of providing information that would be of some use in communicating back to constituents.

As the Member probably knows, essentially what would happen is a hearing of the Board would be held. There would be input then from certainly the proponents, people who obviously would be making the argument. There would be input from the Department at that point in terms of addressing the traffic and safety issues. So it is the hearing that would run through that process.

I know certainly in my own experience as MLA, I have raised these concerns in the past, and I have encouraged people to go to the Board. Although it is interesting to debate back and forth in terms of speed restrictions et cetera, it is quite a complex area. I certainly know in some

cases that I have been involved with where arguments were made that decisions were made not to necessarily reduce the speed limits. There are all sorts of combinations of factors in terms of enforcement, in terms of the traffic flows, et cetera.

So that is probably the best answer I can give in the sense that it is the Board that basically deals with that rather than the Minister directly. And I think that is appropriate, by the way. It should be based on that level of input. There are other jurisdictions where there are a lot of traffic-related items that are probably dealt with more on a political basis, stops signs, speed zones, et cetera, and particularly stop signs. I look at the City of Winnipeg, for example. In some areas there are lots of stop signs, some there are none. I think it is probably part of the process over time of some various lobbying back and forth. I think the advantage of having the Board deal with this is once again trying to get some consistency back and forth. I think that is important. We discussed this yesterday in terms of making sure that the Board operates in a way that is obviously taking into account various different factors but coming up with consistent decisions.

Mr. Rocan: I want to thank the Minister for a very good answer. I expected nothing less from this minister. His truthfulness carries him a long way because he is the sort of individual who always lays the facts on the line. I appreciate the way that you have just answered that because there are several individuals in the community who are of the belief that—and I will just throw it, like the trucking association. They believe that the trucking association carries an awful lot of weight when it comes to a board decision on reducing a particular speed zone.

I appreciate the Board doing due diligence on St. Claude, Treherne, Glenboro, several areas where they have done their work, and they have done it in a timely-type fashion where they have agreed with the community. Now Holland is requesting the same sort of courtesy, and based on what the Minister has just actually put on the record, I would hope that the Board members take a serious look at the Town of Holland and No. 2 Highway just going past Treherne. Several individuals in this room might have family

members that live up and down that highway, and we would expect—I do not know if it is the new board or if the present board are still in place, I have no idea—but to the Board members who were there, I appreciate their due diligence in looking after my constituents up and down No. 2 Highway, but then also again the RCMP and the R.M. of Victoria have purposely set forth an agenda to try and slow down particular vehicles going through the community of Holland. I would just hope that they look at it quite favourably. I just leave that on the record.

Mr. Ashton: I appreciate the Member's concept in terms of his constituents. I want to stress, first of all, we have not changed the Board. As changes are made, my desire as minister would be that the Board would operate on the basis of best judgment, not to be overly influenced by other factors, and I will just leave it at that because I think the Member probably knows what I am referring to.

*(10:20)

I know what it is like. In my own community, my own constituency. I have been contacted by people in Wabowden. There are real concerns about speed in the proximity of the school. I should indicate, too, that it is partly an issue for the Motor Transport Board in terms of the speed limits. It is often also an issue of enforcement. What I have done in my own case is I encourage them to look both at the speed limit per se but also enforcement of existing speed limits. It is one of these situations where people come off the highway and just do not see the reduction down to an urban speed limit, so they are going from 100 down to 50. There is something about having a few tickets issued that spreads fairly quickly in terms of people understanding that the existing speed limit is fairly serious. I do appreciate that, and I will encourage the Member to also pursue the enforcement side. That is obviously not something that is within the purview of our department. In some cases better enforcement is also a key part of safety for people.

I take it very seriously. I really believe that this is one of the reasons we have the Board. The Board should use its best judgment and should base it on a number of factors but should not be

subject to any outside influence. I do not believe, by the way, personally that the trucking association or others do have that much influence. I bet they would probably argue the reverse. I think, in fairness, the key element has to be the Board itself. If you have a good board in place and they operate properly, not everybody will be happy with every decision, but, over time I think you will get a recognition that it was based on best judgment. That is what I am going to be looking for with any changes on the Board and any new board.

Mr. Rocan: I thank the Minister again for his answer. The Minister talks about the reduction of speeds. I always was of the opinion this is the reason that the Board would actually make their reduction in the speed zones. Treherne was a prime example. There had been several accidents, and then finally it came to be where they actually did slow down the traffic. In my discussions with the local RCMP, there have been several accidents like, again, in the Holland area. Again, this is what we base our questions on today. The Minister makes reference to he doubted whether or not the trucking industry would do that much lobbying, I guess, would be my words, in order to prevent the speed reductions. Myself, I know from days gone by, when I had my own trucking company, I hesitated greatly adhering to some of the speed zones that were there. When you thought late one evening there might be nobody there and when you are in a great big hurry, you kind of might have broken the law.

An Honourable Member: Might.

Mr. Rocan: Might have broken the law. So I can understand where they would be coming from because a truck wants to get from point A to point B in an awful hurry because this is how they make the skimp few dollars that are available to them. Yet, you know, for a minute to slow down, I mean, we save one life.

I have been at a junction of highways where there has been loss of life. I just happened upon the accidents, but it is not a pretty sight.

This is why again I support the Board wholeheartedly and, indeed, the Minister does too, because in his remarks—and I have known

this minister for many, many years—he is that sort of a caring individual who would take this to heart.

I also at this point in time want to put on the record that this minister has left his doors open to anybody from—I will just use my constituency for example. So I am sure that if ever the Board would rule opposite to what we would like, I understand there is an appeal process here. Even the remark just from the Minister, I am lead to believe that this minister is willing to see individuals whenever, from discussions I have had with him on a personal side of it. His door is always open. For that, I appreciate that.

To all his staff who are here today, as much as I am supposed to be a partisan individual here today, I have great respect for the Member for Thompson. I think he will do his job and he will do it with great diligence. I do not suppose this is all what you want to hear, is it? Oh, Frank is here. Now we are in big trouble.

I am going to leave with those few remarks there, because I think my deputy critic is getting a little bit upset with them, so I leave that there. Oh, you are all here now. Are you all mad or what?

Mr. Ashton: I really appreciate the comments from the Member. I have certainly worked very well with him over the years. I have a great deal of respect for him in his role in this House representing his constituents. I certainly want to indicate my willingness to meet with people in this province. In fact, last night my deputy and I were in Pine Falls, met with municipalities in that area. Actually, at the meeting was the MLA for Lac du Bonnet. It was an interesting sight I am sure for people who are used to seeing us spar in the House, sitting there and dealing with the common concerns in the Pine Falls area. We did have a little bit of an opportunity afterwards to discuss things just on a personal basis. I think that was probably a shock to people as well.

But I think that is important in coming, as I do, from a community that is many miles away from the capital city. I have always valued access for my communities. I have always appreciated ministers in the past who made the effort to meet with my communities or in many

cases actually travel to my communities. I certainly want to indicate that as well. I try to be open to MLAs in particular—I think that is important—and communities as well. In fact, I want to assure the member that if there are municipalities or others, obviously I met with many people who are not necessarily involved in municipal politics, but I do value the input of municipalities, particularly because they are the grassroots level.

I usually say my door is always open. Whether I am in it is another question, because I may be out in Pine Falls or travelling around the province. But I appreciate the comments from the Member. I certainly want to indicate that I do take very seriously the concerns he has raised on behalf of his constituents. I would not expect anything less from him other than to be raising them at every opportunity, so I really appreciate his raising them here.

Mr. Helwer: Madam Chairperson, because I was at the Winnipeg Beach Council meeting last night also, I have a number of local issues that I would like to talk about first. One of them is the grant-in-aid streets program that works for towns, villages and municipalities whereby some of the communities get some assistance for their local streets. It is a good program. It works very well. I think most of our communities certainly appreciate the value of that program. I certainly hope that the new minister will continue with that program and maybe expand it if it is at all possible.

One of the questions from Winnipeg Beach last night, I guess they had applied for some assistance of Kernstead Road. I think they had done this a couple years ago and were approved for a portion of it but did not have enough funds to do the whole thing or to do a proper job on it. I wonder if the Department has any new information on that or whether that has been approved for this construction year?

Mr. Ashton: We are going to be making an announcement of grant need within a matter of days actually. I can probably be in a better position to provide the Member with information on that probably within the next couple of days. We have just gone through it. We have the letters going out, so if I could take it as notice, I

will show the Member; I will get back to him. I can indicate the program, we have maintained it in the Budget. I think it is a very useful program.

I think it is a good example of partnership working with municipalities. So the program is in place, and I will take as notice the specific item and either get back to the Member if we are still in Estimates directly or if not I will give him—and in fact I should indicate that what we are doing with all the approvals is copying local MLAs. So once the letters go out he will get direct advice on which communities in his area are involved. In fact, I am in the process of signing off those letters right now.

* (10:30)

Mr. Helwer: I thank the Minister for that, because the program is certainly a good one. The municipalities all appreciate it, and anything we can help when regarding the infrastructure to—I like that. It is certainly a good program. I appreciate the Minister's reply. I look forward to that in a couple of days or in a few days.

The other item I had from last night's meeting was the signing of some of the communities along Highways 8 and 9 because a lot of the traffic on both those highways is related to tourists. Winnipeg Beach, as an example, has no sign whatsoever announcing, on Highway 8 or 9, where Winnipeg Beach is. At one time I think the former Minister of Highways last year, we had talked about it. He was going to get some signs made for that area. but at this time there are still no signs letting people know on Highways 8 and 9 where Winnipeg Beach is and some of the services that are provided.

I know in some communities you have signs announcing towns plus a thing on the bottom announcing the different services that are available in that community. I am just wondering if there was anything done on the Winnipeg Beach signing program.

Mr. Ashton: I would like to actually discuss this further with the Member. I have had a number of other communities make some more sorts of requests. I do know there are a number of communities in the area, Winnipeg Beach, going

down to Matlock, Whytewold and Ponemah, I believe. My understanding is there are signs in place according to the policy, so I am not sure—what I can indicate too is I am advised by the Department that, basic policy, there is cost sharing of this. We are more than willing to sit down with the municipalities involved and see if we cannot work something out.

I do want to indicate, by the way, that this has come up in other areas, as I mentioned. I do think it is an important question. Madam Chair, we have met with various different—communities have expressed very similar circumstances. I appreciate particularly when communities are very dependent on tourism. It does play a fairly significant role in terms of making sure that they can have people aware of what is happening in the community. We just met with Rossburn and Waywayseecappo in Westman, similar concerns raised there.

What I would suggest maybe is, if the Member might want to correspond directly with us to make sort of a request on behalf of the municipalities, if he could communicate back verbally now and I can communicate in writing, we will be certainly willing to sit down and talk to them.

Mr. Helwer: Thank you. I appreciate the response. Yes, it is important to have the signing of these communities to recognize where they are located in the community. I am sure both sides of Lake Winnipeg plus other areas of Manitoba have the same problems. So I am pleased that there is a program in place, and I will have to speak to the community at Winnipeg Beach whether they have made a request, I do not know whether they have, for cost-sharing.

Because of the importance of tourism, though, along the west side of Lake Winnipeg, a lot of the businesses are seasonal, and it is important that we have proper signing there, so I appreciate that.

My next concern was the federal government, in the budget, announced an infrastructure program. I just want to talk about the importance of the infrastructure program for a minute. The one that we had a number of years

ago, back about five or more years ago I guess it was, whereby some of the construction and some of the infrastructure was cost-shared on a one-third, one-third, one-third basis, a three-way basis, that worked very well. A lot of the communities certainly were able to improve a lot of their infrastructure, whether it be sewer and water, or streets or highways or, in some cases, building of municipal offices even. So it was an excellent program.

I know that the federal government had announced some assistance for highway construction. I wondered if it did include some streets and roads in the municipalities and whether the municipalities would be cost-shared with that on a continuing one-third, one-third basis, or whether there was a new program in place to deal with this.

Mr. Ashton: I appreciate the questions. I just want to add, by the way, I think for the important point, while we are on the issue of Highway 9 and the tourist side, the fact that we do have the construction now finalizing the upgrading into Gimli. I was very pleased to be able to proceed with that. I think it recognizes the high traffic volumes in the area and the fact that that whole area, as the Member will know, has had significant growth in the last number of years. So I did want to sort of note that it was an example of a project that we did proceed with, and I think it is very important in that community. I did have the opportunity at the AMM meeting to meet with municipal officials from the area. It was certainly a priority, and we had proceeded on that.

In terms of the infrastructure program, that seems to be a work in progress. There was a meeting apparently with the AMM just recently. We received reports yesterday what might or might not be in the infrastructure program. The Minister of Intergovernmental Affairs (Ms. Friesen) is actually the Minister dealing with the municipal end.

Our focus in this department is on the national highways side or national transportation program. Quite frankly, it is hard to determine on that side exactly what is happening either, but I do want to indicate that, in terms of the street side of it, I think that would probably come

under the other side of the infrastructure program, if it is deemed as being something that is within the realms of that. That is something I think the federal government is involved in right now in discussions with the AMM. We would certainly, as a province, want to be involved in discussions as well.

The infrastructure program, apart from the highways side of it, was, I thought, fairly successful. It probably needs some different criteria. There was significant uptake, and obviously there are different needs in various communities, but I would encourage the Member, perhaps, to raise that during Intergovernmental Affairs Estimates.

By the time we hit the Estimates—I am not sure in the schedule where they are—we may have a better idea of where we are at in terms of criteria. My sense is that the federal government has the concept in mind but does not have a clear idea yet on exact criteria, and I think those discussions are aimed at that. I think that is positive too. The AMM is in a very good position to represent the wishes of its member municipalities.

Mr. Helwer: I want to thank the Minister for his reply there. Just getting back to the highway construction again on Highway 9, I appreciate getting that last section done there. I think the contractor has started already and it is underway there. Hopefully, they will get most of it done or most of the work done prior to the busy tourist season because it does have an effect between Winnipeg Beach and Gimli. So I know they are working on it. They started as soon as possible this spring and so I am glad to see that section get done.

That will, by the way, complete the section between Gimli and Winnipeg Beach. I think it is done in about three or four different stages, because there is a bridge over one of the creeks, one thing and another, but I am glad to see that finally getting completed. That certainly will be a great benefit to the communities there along Sandy Hook and make that road a lot safer and also a lot better for the local residents with the extra few feet of pavement on the side for bicycles and walking, certainly a great benefit to that area. So I appreciate that finally getting

completed, and I want to thank the Minister for that. I think the contractor is doing an excellent job there in getting that done.

Regarding the infrastructure program, I guess that brings up the other program that was announced just recently by the federal government and that was the extra \$35 million, or whatever it was, over seven years that will be coming to Manitoba to replace some of the roads or to increase the capacity of the weight on some of the highways where there were elevators going to be closing. In our area of the Interlake—of course, I am glad to see the Member for Interlake (Mr. Nevakshonoff) here also, because there could be some rationalization in the elevators because of the rail line being taken out there. We do not know what is going to happen exactly yet but certainly if that does happen, if some elevators do close and there is more highway traffic on Highway 7 and 8 especially. I would hope that Highway 7 from probably north of Winnipeg and probably 8 north of Gimli there where it has not been rebuilt, I would hope maybe those highways would be included in your projects that you have for this kind of project.

Because of the grain and the agriculture products that move out of that area, it is important to keep those roads at an RTAC weight factor, so that farmers and truckers alike can use those highways. So I wonder if the Minister does have a program in place yet for that, or where it is in the system.

* (10:40)

Mr. Ashton: On the program itself, I did outline to the Agriculture critic and the Highways critic on the first day of Estimates that it should be administered through Agriculture, and we will be meeting. I know I have already talked to the Minister of Agriculture (Ms. Wowchuk) and made sure that we can have a co-ordinated approach. On the specifics, I certainly acknowledge the situation.

The Member mentioned Highway 7. I have had the opportunity to be up on Highway 7 quite recently. I have talked to people in the area, and I know the Member for Interlake has raised this issue with me already and I do know particularly

up in the Arborg area, it is a priority. We will take that under advisement. I think it is a legitimate concern and it has been expressed for a number of years now and while we have not finalized the capital budget, I certainly do acknowledge what the Member is raising is an issue. What I want to look at is over and above the additional programming money that is available, obviously look at situations like this in the actual capital budget as well. It is, I think, a fairly good argument that has been put forward, and I certainly will be taking that into account when we look at the construction budget. I appreciate the fact the Member is raising it. It is a priority I know in the Interlake.

Mr. Helwer: I want to thank the Minister. Also, in both the infrastructure, whether it be the federal highways infrastructure program or whether the new program to deal with areas where the railways are moving out or the elevators are closing, some of these areas have an entrance to the community also. Would some of that area be included in your capital programs whereby, as in the case of Balmoral off Highway 7, there are three miles that are not a full weight highway, I believe, or in Teulon, No. 17 even goes through a town to the elevators, and some of them, even Arborg, I believe—I forget what road that is? Are they also going to be included in this total infrastructure package, whereby you will be looking at where the need is on some of these roads?

Mr. Ashton: There has really been no criteria set. One of the points that was raised on the first day of Estimates, particularly by the Opposition Agriculture critic—and I thought was a very important point—is the need to plan ahead. The Member will know the normal cycle on highways is a two-year cycle. We are looking at a multiyear agreement on the agriculture side; for example, the multiyear situation on the National Highways Program, depending on the criteria that is involved. So I think there is an opportunity for us to sit down and do some planning around that.

With regard to specific projects, it is probably fairly early on to give any answers on that really. We have only had an indication about the money coming in for the last number of weeks. I just want to put on the record again that

I am quite pleased with it. Anytime we can get one cent of federal money in the province, we will take it, and I say "we" collectively. I am sure I speak for all MLAs. It is still a long way to go. We are looking at probably getting three, four cents on the dollar out of this program in terms of the money that comes out in gas taxes, three, four cents on the national highways side.

If we could get a significant reinvestment of the money that the federal government takes out of this province, we would be able to do the work that really needs to be done. I think that is the key message here. The key to meeting the challenge, particularly in terms of the rural and northern economy, is going to be getting the federal government to put in its share.

It was interesting, last night I talked to, of course, the Member for Lac du Bonnet (Mr. Praznik) at the meeting, and of course he is a former Highways minister. Madam Chair, his message was certainly my message, that members, government, you know, being part of government before, was quite vocal on this. We are too. In fact, we had an interesting discussion on it. I want to pursue this further and maybe see if we cannot develop a multiparty approach on this, because I do not think there would be any member of the Legislature in any party that would disagree with that.

So that issue is ongoing, and I will try and keep the Member and members of the House informed as developments do take place on the agriculture side of it, and I certainly appreciate any input on areas the Member sees as being a priority in his region. I know a number of members have already raised similar issues of concern in their own regions of the province.

The only concern I have is that the money sounds not bad on a five-year basis, but, as the Member will know, \$35 million over a five-year basis, you know, \$6 million a year, it can make some difference. But compared to the need out there, it is a fairly small amount and that can often be two or three projects. When I say projects, it can be fairly—you can look at \$2-million or \$3-million projects to surface and upgrade 10-15 kilometres of highway. So we still have a long ways to go. I guess it may be a small step, but it is a step in the right direction.

Mr. Helwer: Yes, I agree with the Minister. I realize that \$35 million over five years sounds like a lot of money, but it really does not go very far when you get into construction. Hopefully, I would like if the province could match that. If you have \$7 million or \$14 million at least a year that you could spend on extra projects besides your normal Highways capital projects, that would certainly help. I realize that it is very expensive, especially when you want to build these roads to the standards that carry the RTAC weights and one thing and another. It does increase the costs, especially for bridges and things of that nature.

I just want to talk about Highway 9 for a few minutes, between Selkirk and Winnipeg. This is of real importance to me and also to the Member for Selkirk (Mr. Dewar) actually, because it is important to commuters from Selkirk and people living in St. Andrews along Highway 9. This highway has not been looked at or no construction done on this for many years.

I know a number of years ago, some engineers were looking at a Selkirk corridor and also ways of trying to improve Highway 9 to make it safer and improve the traffic flow on it. At the present time, it is a real problem.

Well, here is the Member for Selkirk (Mr. Dewar) now. I am sure he can verify everything I said.

Mr. Ashton: A conspiracy here, I do not know. He just conveniently walks in.

Mr. Helwer: But it is really a problem safety-wise. There is a real safety concern there on Highway 9. There was a person killed just south of Lockport there just this past winter. Because of the fact there is no divider between the four lanes, it creates a real dangerous situation. I realize that the speed limits are such, 70 or 80 kilometres, to try to keep the traffic moving at the same time to try to make it as safe as possible.

I am just wondering if the Department has any new information on it, or whether there has been anything done as far as the engineering or construction or planning on it. What can be done to try to improve Highway 9?

* (10:50)

Mr. Ashton: Before I respond to the question, to go back to the previous discussion, just to give the Member some idea in terms of how far money goes, I know he knows this, but I just want to put it on the record. The Highway 9 project from PR 519 to Willow Creek was \$3.4 million, not a very long stretch of road. There is one other project in a similar range, but in our initial program schedule, it was pretty well the largest in the province. So one small but important project was \$3.4 million.

Roads cost a lot of money. The Member knows that, but I just want to put that on the record and the fact that it certainly shows our commitment on that stretch of Highway 9.

What I would like to do in terms of 9, just maybe give the Member some background. I do acknowledge too that the Member for Selkirk (Mr. Dewar) has raised this issue with me as well. I notice it was quite convenient that the Member for Selkirk seemed to just walk in when this issue was coming up. I am just wondering if there is some kind of a regional alliance going here kind of that cuts across party lines.

Just again, if the Member will excuse me. I will run through some of the details on this and put it sort of on the record so people know some of the complications that have gone into this. I know the Member knows the background on this, but this is more for the people that do not.

In the mid-1980s, there was a functional design study that recommended improvements to PTH 9. There was a recommendation in terms of protecting land for a possible four-lane, divided highway that would increase the capacity.

If you go back to the 1984 ID Engineering and Delcan western study, it looked at potential solutions in the Winnipeg-Selkirk corridor. It was asked to determine a couple of things: the best method for upgrading the four-lane, undivided portion of PTH 9 between 101 and 44; future north-south route; addition of PTH 9 and PR 230 would be needed west of the Red River, and if so, where it could be located; the need for and location of a future Red River crossing on 44 so that land could be protected; and the most

suitable continuous routing of 410 between 8 and 238.

There was a preferred plan that was selected after extensive public consultations, meetings held December 1986-1987. The Minister, in November, announced acceptance of the study recommendations, which talked about a curbed median and other operational improvements to 9, a protection of right of way for a possible four-lane, divided highway between Winnipeg and Selkirk, and a future Red River crossing near Lockport. That was subsequently abandoned. I will just run through some of the things that happened.

There was a letter to area residents from the Minister and consideration for advance property purchase. A study was completed in 1990. The summary report recommended, to improve safety, 9 should be upgraded to four lanes, and land would be set aside for a future highway between Winnipeg and Selkirk. Then there were a number of factors that prompted the Department to re-assess the study. Traffic volumes there were increasing faster than were predicted. Additional capacity was required to maintain and improve the current level of service in the study area, and there was need for immediate upgrading of No. 9. To give some idea of the cost involved, one estimate of one of the possible options is up to \$38 million, fairly significant—this is 1990 dollars—and the first two lanes of the Winnipeg-Selkirk corridor, about \$18 million.

Alternatives were developed at that time. This is obviously when the previous government was in place. One was PTH 9 resurfacing. The second was a PTH 9 with a flush median. Third was PTH 9 resurfacing with a flush median from 101 to Jackman Road. Fourth was PTH raised median, which was part of the 1990 study. It was determined that, regardless of the improvements, stage 1 would be required soon. That is the resurfacing. As a result, each of the alternatives included the requirement to proceed with Stage 1. So 2, 3 and 4 were add-ons.

The Department met with councils of the R.M. of St. Andrews, R.M. of West St. Paul and the Town of Selkirk. Prior to a 1994 public open house, councils were in favour of the proposal to

proceed with Alternative 1, subject to results of the open house. I know the Member would have been aware of that at the time and the Member for Selkirk as well. Results indicate public support for Alternative 1, with the associated safety and drainage improvements. In 1995, the minister at the time received a 1300-name petition to construct a median-separated four-lane facility.

One of the things that has happened is there is a lack of consensus in the area on what needs to be done, and I know both members from that region know that fairly well. In the interim, the Department is performing remedial surface repairs on PTH 9 to keep it at acceptable condition. Since 1995, there has been expansion of about \$950,000. There has been some purchase to protect a possible Winnipeg-Selkirk corridor that has resulted in about \$872,000 worth of expenditures, and a couple of properties required for the river crossing. So there has been some attempt to preserve options.

One of the difficulties, as I said, is not just the cost here but is also the differing views. There are quite significant differences. I know, having travelled that highway on many occasions myself, it is one of the situations we are finding in a number of areas outside of the city, where you essentially have significant residential development along the highway, and it puts a lot of pressure on the highway itself, the access lanes.

There are significant issues in regard to speed limits. It is interesting, back and forth. Some argue they want to keep highway-level speed limits; some view it as an extension of an urban area. I wanted to give the Member, on the record, some indication of where it is at and the fact that the Department over the last number of years has been trying to deal with the resurfacing on 9, but I would certainly appreciate any feedback from the Member and the Member for Selkirk in terms of how we do deal with it. This is one of the issues I know I discussed with the Department already on a number of occasions. It is a very complicated issue. I do want to indicate that I think the alternative, for a fairly reasonable expenditure of money, has improved the surface fairly significantly. So, in that sense, I think it was probably the right thing to do initially. That

does have a safety impact, too. Obviously, the better the surface for the high-traffic volumes, the better the ability of motorists to drive safely.

So that in a nutshell is where it is, and I appreciate any feedback from the Member on this issue and people in the area.

Mr. Helwer: I thank the Member for his answer there, because it is a very important route, that No. 9, and I think the Department of Highways right now, I believe, has some control. They are not allowing any more access of the new subdivisions onto Highway 9, which, I think, is a step in the right direction. There are a number of new subdivisions between Highway 9 and the river there, and I think their access is going to be on River Road in most cases. So I think that is certainly a step in the right direction.

Probably, because it is almost impossible to buy property along there now to widen the property that the highway needs, there is probably enough room maybe for some drainage and to put a half a lane or so on each side so that you could have some kind of median, or a left-turning lane in some places at least, on some of the main intersections. Probably you cannot make a left-turning lane on Avery Drive, where there is a left turning lane, because there are just so many, but probably at the main intersections at least. That seems to be where the accidents happen, when someone stops to turn and then someone comes from behind and hits him. I have seen that happen there a number of times this last six months or a year or so, and it has really created an unsafe situation because of the way it is set up.

So I would hope that the engineering group, or Planning and Design people, would have another look at it and see whether we could come up with some system whereby to make it safer. We could put some lanes on each side and have some divider in the centre or a turning lane or something, and try to make that a lot safer. The problem, I realize, when you look at the cost, \$38 million, that is almost a third of your highways budget capital program spent. I realize you cannot do that in one year. It is just not possible. I think it has to be phased, and I would like to see the Department look at some way of trying to phase it in and improve it.

As far as the purchasing of land, I am glad to see that they are looking at purchasing land for the Selkirk-Winnipeg corridor there because that would certainly take some pressure off Highway 9, although, because it is local traffic, it would not eliminate it completely, but certainly would help some, because of the new bridge on Highway 44, which goes across to meet 59 there. There is a lot of traffic on that road 230 and McPhillips road going into Winnipeg. Some corridor there, I know that is a long-term project; again, a very expensive project. When you are looking at buying land, spending almost a million dollars just to purchase some land, I am sure that would increase it. I realize it is a very costly project, but I would like to see that maybe sped up, if possible, and try to get that.

* (11:00)

Now, with the bridge on Highway 44 at Lockport, since that was rebuilt a number of years ago now, about five years ago, so that, I would think, would stay in that particular location. I know they were looking at a new bridge at Lockport to move it a little further north, and then that would have changed the access roads, of course, onto Highway 9 and over to 8. So that changed that.

But I was just wondering if the Department can give us some assurance as to what kind of a time frame we are looking at, trying to improve this Highway 9 situation.

Mr. Ashton: Just to give the Member some idea of the difficulties, I am sure he is aware of this, and I know that is one of the complications for previous members. First of all, there is difficulty in the drainage, just in terms of the line that is available. The second problem you run into is if you widen you have to take from off additional property. You have to acquire it. It is expensive. What happens is everybody, they want a widened highway, but if they live along the highway they do not want it to come out of their particular land. I think the Member will know that one of the reasons there was no consensus was in that range. So it is a huge cost and a huge complication. I know as minister, with our limited budgets, and they are always limited relative to the need, the Department of

Highways tries wherever possible to do what is the consensus of the community, and there really is no consensus.

It is the same thing with the raised median. Everybody likes it in principle until it affects their ability to turn off the highway. So you end up with virtually all the alternatives we look at are not only expensive but all on paper sound good until you actually go to the public, and then you have all sorts of people say, no, that is not the route to go.

One of the items, I think, that sort of has led to that is the PTH 9 upgrading is extremely expensive and extremely complicated whereas the Winnipeg-Selkirk corridor would probably still be expensive—not as expensive—and potentially less complicated in terms of that. So probably I think the route that the previous government took and the previous department took, the upgrading of PTH 9 was probably about the most that could be done with any degree of consensus in the area. I know that the councils supported that Phase I. I tend to think that further upgrading is so fraught with difficulties for people in that area that it does create a lot of difficulties. Our intent again is to try and balance out the obviously high traffic levels, but I do respect the fact that there are a lot of people live along that road.

I do want to indicate, by the way, too, that the Department has taken a position in terms of access from new developments, and what not, trying to control and restrict that access, but it is not something that is totally within the ability of the Department to prevent. This came up at our discussions a couple of days ago. A lot of times everybody wants access, but the more access you have the more difficulty it creates in terms of traffic flows and traffic safety.

I think one of the lessons out of what has happened on Highway 9 is a lesson for the rest of the province too in the sense that we need to have some better long-term planning quite frankly. We are ending up in a lot of areas just outside of Winnipeg that are essentially becoming similar to urban in terms of concentrations of population. I mean, if you look at what is happening, the fastest growing municipalities are now outside of Winnipeg,

East St. Paul, and in fact all around the area. You end up with a lot of times there is a significant impact on the highway system that really is not a key part of any planning process.

So I just throw that out. I do want to indicate, and I mentioned this earlier on, that as minister I am a strong believer in planning, and I want to see us province-wide do a lot more planning so we bring together all the items, whether it is hog plants or whether it is residential developments and everything in between. Every time you have a development, it puts pressure on the road system. Traffic goes up, and you end up with all these sorts of complications. When you look at the fact that it would cost. I mentioned up to \$38 million, to upgrade with the raised median and that would not necessarily be supported by a lot of people on that road, you start seeing how fraught with difficulty it is.

I actually want to say that I think what we did—when I say we collectively, I mean it was actually the previous government. I thought that was the logical place to start. I know the Department is always open to reviewing and to looking at creative options, but I think this is one where they tried. They tried to come up with all sorts of different proposals, and they all seemed to run into the same sort of difficulty. Virtually any upgrading proposal on the existing route is both very expensive and creates significant difficulties for a significant number of people in that area.

So I appreciate the comments from the Member. We will keep trying on this. I think the key thing is that upgrading is probably the logical route to take, and it probably has improved the surface of the road, and certainly when I have driven on it, it is in reasonable shape. If either of the members from that area have any ongoing suggestions, advice, I am more than open to it.

Mr. Helwer: I want to thank the Minister for that response. I realize that there have been a number of changes there in the last five, ten years, probably, that have certainly had a big effect on this. As you said, the municipalities of West St. Paul, St. Andrews, the Town of Selkirk, they have all certainly increased in population

size. The growth has been phenomenal in the last number of years. In probably the last five, ten years there has been a big change there. So I would hope that that will give the planning and design people something to look at maybe and to try to realize the importance of this project, because of the number of increased population there, the increased subdivisions and the increased traffic.

It seems that commuters from Selkirk are going both ways. There are a lot of industries now in the city of Selkirk, and there are people who live in Winnipeg and work in Selkirk, and vice versa, live in Selkirk and work in Winnipeg. There is a real commuter problem there. It is very, very busy. I think the counts on No. 9 and No. 8, McPhillips road, have increased substantially in the last five years, I would say.

So it is really important that the Highways Department look at this very carefully and try to design some kind of system. I realize the problem. I was involved in some meetings a number of years ago there when they tried to have that idea of the median there. People did not like it for a number of reasons, I guess, snowplowing and access to the highway. But I think you have to look at the safety factor and how a lot of these accidents on that No. 9 happen. I am sure you can get that information or that information is available to Highways if you do not already have it, but because of no divider and no median, that is a big part and parcel of the problem, and it causes a lot of accidents.

I know medians are not popular with many local residents, probably not popular as far as the snow clearing is concerned and a lot of other maintenance issues are concerned. But I think you have to look at safety as No. 1 and that is important in people's lives and things of that nature and damage to vehicles and people. So that certainly is important. I am sure if the Member for Selkirk (Mr. Dewar) can back me up, the traffic volumes there have increased substantially because of the increase in population in those areas.

I still would like to see some kind of a time frame put on when we can see some sort of improvements there. Even if in the next six

months or a year we can see something being done, see some action there where we go out for consultation or do something at least to try to get something done as soon as possible. So what kind of time frame are we looking at there?

Mr. Ashton: Well, I think if you look at how long this issue has been around and how it has bedevilled previous governments and previous Highways ministers—actually, if you look at it, we are going back now to the previous government and the previous government, and I do not know how many ministers of Highways we have had in that time. I guess you go back to John Bucklaschuk and Glen Findlay, Albert Driedger, Darren Praznik.

* (11:10)

I wish I could sit here and predict that in six months I would be able to solve this, but having a lot of respect for some of my predecessors in this role I suspect the better answer would be that I recognize this as an ongoing concern. I am certainly open to ideas, and I appreciate some of the ideas that have been brought forward today. As to any immediate solution, I do not see one. But I do see it as an area, along with a lot of other areas, by the way, too, in the province where we have some significant pressures.

So I do not want to predict my ability to do what the previous four or five Highways ministers have not been able to do. Part of it, by the way, too, is because a lot of this has to be driven both by the financial reality but also by the communities themselves. What makes a significant difference for the Department, and for us as a government, is where we are dealing with consensus on the route to go. I am very reluctant where there is not a significant consensus to decide as a department what needs to be done, largely because in a lot of cases it can be a six of one, half a dozen of the other type of situation.

But, as I said, the resurfacing I think is probably the one area there was consensus. It was being done. I think that is certainly one area that we will continue to focus in on, on that particular stretch, just to make sure that we continue to keep the surface in reasonable condition and make sure there is not significant

wear and tear. But I am sure we will probably be discussing this one in Estimates next year, as well, too. So, in the meantime, my door is open, and I appreciate the suggestions from the Member.

Mr. Helwer: I want to thank the Minister for his response there. I just want to emphasize, once again, the real importance of this for safety reasons and because of the heavy traffic flows there that the Department try to do something as soon as possible and try to get Planning and Design, or whoever it is, trying to work on some solution to that. I appreciate the fact that you are looking at resurfacing part of it. I think that probably would help considerably, but that will not be the complete answer. That is a start, but it will not be the complete answer for that. I realize the very complicated situation there. but I would only hope that they try to speed up the process and try to get it moving as soon as possible and get something done there in the next short while. hopefully.

One other highway concern that I had for my constituency is Highway No. 17. There is a three-mile section there between 8 and 9 that the Department of Highways traded, I believe it was on the 410 and through the R.M. of St. Andrews. Highways took a three-mile stretch there on No. 17 and traded to give the R.M. of St. Andrews I think it is No. 410, Lockport Road, I guess it is, from 230 to No. 9, from McPhillips road. That three-mile section has been rebuilt, but there has not been any actual surface treatment or any pavement put on that. I am just wondering where that is in the program in the Department of Highways.

Also, the balance of Highway 17 all the way up to Fisher Branch or all the way up to Peguis, actually, I guess, Hodgson, Peguis, that was in, I believe, Land Acquisition or Planning and Design. There was some work done on that last year. I am not sure how much work they have done on that portion between Highway 8 and Teulon, and Teulon to Poplarfield, Inwood, Poplarfield, Fisher Branch areas. That road, certainly the traffic has increased because of a lot of the increase in traffic that comes from the Peguis Reserve, which has been growing the last number of years and the Hodgson-Fisher Branch area.

So there has been a fairly large increase there on Highway 17, an increase in traffic. I am just wondering where the Department is on that and when we can expect some continued construction or continued progress on that highway.

Mr. Ashton: We have not announced the capital budget for this year. We are finalizing it. One of the things I did ask is, going back to the grain, we want to make sure that we do have some initial idea of where we are at in terms of the grain transport. So I am not in the position to advise the Member right now but certainly will take it under advisement in terms of his comments on that particular stretch.

Mr. Helwer: What about the first part of my question on the three-mile section there between 8 and 9 actually, the part that we acquired from the R.M. of St. Andrews? It is gravel now; it is dusty. I have had a number of complaints there from people. There are not a lot of residents along there. but there are some, and they are fairly vocal as far as dust control.

I am just wondering where that is, because I think that was in the program for some asphalt surface treatment or some form of pavement there in the very near future. I wonder if I could find out where that one is.

Mr. Ashton: In terms of the dust treatment question, I actually was going to determine whether we do have a dust treatment program on that particular stretch of highway. I appreciate the Member's point. The difficulty, obviously, that we have is we have a lot of gravel roads, and everybody who has a gravel road wants a paved road.

I do not mean in any sense to make any sort of negative comments about the local residents in this area. Unfortunately, though, in terms of the pressures on the Highways budget, the same sort of pressures that were in place with the former government, really it is not possible to upgrade every gravel road to a paved surface. We have to look at a combination of traffic counts, factors such as being main arterial roads, et cetera, which were in place, and also whether other paved routes are available.

I do know there are a lot of communities in the province that do not have any paved access. Obviously, what we are looking at in many cases is—I mean, I am sure every Minister of Highways would like to pave every gravel road. It is not possible. So we will consider it in terms of that. I cannot give the Member any real sense of that right now. Once the Highways capital budget is out and our cash flow is sort of programmed, I will probably be in a better position to do so.

The Member knows a lot of those complications. I am sure he has been speaking on behalf of his constituents on this highway for many years and has probably heard the same sort of answer from previous ministers of Highways. So I will perhaps leave it at that and take the Member's comments under advisement.

Mr. Helwer: I would just like to add a couple of comments on that one because when the deal was made with the Rural Municipality of St. Andrews, I believe also No. 515, which was already paved, was traded also and given back to the Municipality. So the Municipality really got two roads there, 410, I believe, and 515, from the Department of Highways. In return, the extension of Highway 17 was supposed to be completed, I believe.

There was kind of a trade-off done there between the Municipality of St. Andrews and the Department of Highways. So I would hope that that one would be looked at as soon as possible and try to get that project completed.

I know there is a further construction process there on Highway 17 from No. 8 all the way up through Teulon, Inwood and Poplarfield right up to Peguis there. But I realize we will wait until the capital project comes out. I would hope that you would look at that far east portion of Highway 17 and see if that can be done.

I believe the Member for Portage la Prairie has a number of questions, and then the Member for Springfield (Mr. Schuler) needs about 20 minutes, so I will let the Member for Portage la Prairie ask a number of questions.

Mr. David Faurschou (Portage la Prairie): As you can probably appreciate, every member of the House has concerns about roadways.

Personally, I had mentioned in my opening remarks the other day that I will not be satisfied until every dollar that is collected in fuel taxes and in programming administrative fees is expended upon the area in which it is collected. I spoke specifically of the motive fuel and the \$67 million that is going to general revenues which I think should find its way through to the transportation budget.

* (11:20)

Now, in regard to the current expenditures, the deficit that is mounting within the whole transportation system is one that has to be addressed. I am certainly wanting to be very encouraging of the Minister to use every and all means to impress upon the balance of his Cabinet colleagues the importance of the renewed financing of this department.

Over the years we know the constraints put upon this Legislature and the Government of Manitoba by the federal government not wanting to take their fair share of responsibility in not only transportation but in other departments. I believe the previous government was trying to expand the additional \$15 million to the City of Winnipeg last year for their resurfacing of many urban streets as well as the additional \$10 million that was into the overall transportation budget for the Province. I am certain this was well utilized.

Earlier comments skirted the issue of the development plans within this province and the exclusion, if I might say, of the consideration of transportation and impact that development has on the transportation department. I will give you an example.

In Portage la Prairie, because of constraints within the City of Portage la Prairie and access of heavy truck movement, there has been development work on a more rural location. In fact it is called the Poplar Bluff Industrial Park. The development of this industrial park has involved Intergovernmental Affairs, Industry and Trade support in the provision of the infrastructure, and, most recently, the Department of Conservation put forward dollars to improve and complete the drainage for this particular new site.

I was absolutely astonished to learn that the Department of Highways had no, and I repeat no, knowledge of this industrial park development, even though three other government departments had invested in this particular development site. When I asked of the Highways Department as to whether there were provisions for speed-up and slow-down lanes on a very heavily travelled section of the Trans-Canada, that being between Portage la Prairie and the Yellowhead intersection of 1 and 16, blank-officials from the transportation department. This is something that I am really concerned about, that the department of transportation must be made aware of development plans, whether they are industrial in orientation or commercial of any nature, or even that of residential development. Because, if the Highways Department is in fact to be called upon to provide access to any development, they have to be there in the initial stages so that they can have the opportunity to plan. I would appreciate the Minister's position on this because I really truly believe a strategic plan has to be put into place. So where development is considered, it may not be the first department that is contacted, but certainly it should be a department that is required to be contacted so that the Highways Department is not picking up and having to improve roads where they had no plans to.

Mr. Ashton: First of all, I can assure the Member that I can provide the Member with information on gas, motive fuel taxes indicating that we as a province, and this includes the previous government, do spend what is raised. In the highway system, give or take a few cents on the dollar, I can indicate where we as a province, I think the last numbers I saw were about 97-98 percent in the '90s collectively. That essentially has not changed with this budget. That is something I think is very important to note, that all governments in this province have been I think very committed to the transportation system.

In terms of the situation with the Department of Highways and developments, I think it is important to know that there was a policy decision made in 1989 by the previous government that set in place the kind of situation that you are talking about. In terms of access, the

policy decision in '89 was basically to provide the access to these types of developments at Department of Highways cost automatically. That created the kind of situation where essentially the Department was not in much of a position to do anything other than the role it has played, which is sort of commenting after the fact in some cases being responsible for some very expensive access situations. That policy has changed. We as a government will be reviewing access situations in the way we review other projects. I think that is important. It fits in partly with our policies in terms of business subsidies. If there is a legitimate public policy reason for access into commercial developments, that should be the trigger, not an automatic policy.

So I think I agree with the Member. I assume from his comments he probably will be supportive of the policy change we have made, because I think the intent of the policy in 1989 was not necessarily fully thought out. Essentially what has happened is it became an automatic subsidy to private businesses that did not necessarily meet the needs of our highway system or in fact any sense of planning in that area.

I thank the member for raising this specific item. but I think it is a direct result of that previous policy. My sense is that with the new policy in place, which essentially was the previous policy, pre-'89, that that will not only remove any unneeded business subsidies. I think it is going to move it into a situation where it will enable the Department of Highways to have a much greater say, a greater say that I think is important for public policy reasons than it has in the past. So we have changed the policy. I am hoping it will correct the situation the member is referencing.

Mr. Faurschou: I personally, in regard to the expenditures, do consider motive fuel as transportation-acquired revenues. We know that in regard to the rail service within and through the province that the Highways Department is called upon in every sector of this province to provide for crossings and controlled structures and overpasses. So the fuel taxes collected through the rail traffic within this province, I think there is an excellent argument for that revenue to be considered transportation

revenues. So let us hope that you can make the case and we can expand our projects.

* (11:30)

Now, the access to the existing projects, I am going to ask the Minister in regard to Portage la Prairie. In 1979 McCain opened a plant in Portage la Prairie for the processing of potatoes. The access route to that particular facility constitutes more than 100 truck movements a day, right past schools, right past a day care, right through a residential area. It is of real concern because originally, in 1980, a transportation study was done calling for overpasses and access routes involving highways dollars.

Consequently, we know the result because level crossings and all of that still exists, and understandably so. There have to be priorities made as to the capital plans that go on throughout the province with the province as a whole in mind. When development takes place in such a fashion, surely to goodness, some time frame has to be considered as to access. So the municipalities essentially have come up with different plans over the years, but now we are progressing with one that essentially takes truck traffic away from the rail yards, away from the cost of an overpass.

It is calling upon a use of an intersection which involves Highway 26, as Highway 26 intersects with the Trans-Canada Highway. I know numerous drawings have taken place, but it brings me to a question of standards. Are we going from a level 90° crossing to something that is going to be required to take a fully loaded RTAC-rated semitrailer to take something at 80 kmh. That is a monumental jump from one side to the other and maybe there is something in between. Do we really have to do all of the approaches and accesses? Today it is serving us and the trucks are travelling in that direction.

All of a sudden, once the Highways Department decides that they are going to upgrade a particular one, you are going from, like in a car with a very old-age Volkswagen right through to your current model Cadillac. I am wondering whether or not, in these considerations that potentially you can look to

the municipality. Basically what I am coming back to is something like a decommissioning or rerouting of Highway 26. So maybe this intersection does not have to be at a provincial trunk's standards and the municipalities can come with this access road. Is the Department going to show latitude in support of these types of discussions even taking place?

Mr. Ashton: I want to emphasize a couple of things. First of all, going back to the previous point, I believe the new policy will have a couple of advantages for us. It will improve our ability to plan. It will give us more bang for our buck on the highways construction budget side, because if you get any projects under the previous policy that were put in place that would not normally be put in place; we were essentially providing a direct subsidy to business automatically.

What that meant is whether it was a million or two or three million dollars a year, that came out of the overall construction budget. So, one of the advantages of changing the policy is we will now make the decision based on public policy not on the basis of an automatic subsidy to business, and I think that is fairly important.

Second of all, in terms of the specifics, I think it is important to recognize that essentially the role of the Department is to work around the existing and future traffic volumes. The Department, I know, is cognizant of other factors such as liability, so it is often fairly complex. Even just a basic access situation, there are no two circumstances that are alike, but it is very important to make sure that we make decisions that do have some real ability for us in the future to deal with future growth.

So I appreciate the specifics. Not knowing the specific here, I appreciate the Member's advice on that. I know the Department is often involved, and with a new policy they will be involved right up front in terms of access because obviously we will not be providing access unless it is a policy decision to do so. Before that we were basically not consulted at all, and you can end up with a lot of distortions, and I get back to share the original planning again.

If you have proper planning, there should be some ability to influence where developments go. When I say influence through the municipal plans, through our system as well and you end up with far more logical situations. If you do not have that, and this one policy alone ended up with some real distortions of decisions made on location where if the individual that was changing the location or setting up a business had to consider paying that cost themselves, they would not do it. They would have located in a different area. But if you have the government automatically providing the access, it is not their money. It is not the individual's money. It is the Government's money. I mean it is our money. It is taxpayers' money in reality, but it leads to all sorts of distortions and play.

So I think the new policy will, I said, remove a lot of those distortions, remove the unneeded business subsidy element of it but also will allow us to be involved far more up front because now developments will by definition have to come to us initially as a sort of a key factor in this, rather than us sort of being involved at the end when people can sort of assume we are automatically going to provide that advice. So, I think this circumstance the Member is pointing to really reinforces the change in policy. I think it is useful advice, because I think this circumstance sounds very much like the kind of situation that we have seen elsewhere in the province.

Mr. Faurschou: I thank the Minister for his comments and I appreciate them. Essentially the question, if I may rephrase in using a more specific example, the provincial road 331, the area that is to the east of Highway 13 and eventually intersects with the Trans-Canada Highway, was upgraded last year with co-operative arrangement with the municipality and actually involved the decommissioning of that portion.

It was a win-win situation with the Department of Highways and the municipality and all persons that make use of that roadway insofar as the municipality rebuilt the road to standards that essentially met the needs, municipal standards. The Highways Department was able to essentially decommission and turn back a roadway so eventually lessening the

Department's load for maintenance and upgrade. That type of arrangement, as I said, from all persons concerned was a win-win situation.

I would like to ask the Minister if this policy could be continued and this intersection which I mentioned as an access road, the Provincial Trunk Highway 26 and the Trans-Canada Highway, might be a similar scenario where the municipalities, city and rural, come together and essentially provide for the intersection and the roadway there and whether or not these continued relationships between municipalities and the Department of Highways can be continued.

Mr. Ashton: I think the important point to know is that the section of road that the Member is talking about was essentially upgraded from its previous situation. It was upgraded to municipal status. I agree with the Member, it was a positive for everybody involved.

It can be obviously quite different where you are dealing with two provincial highways. You know, we do try and work out creative solutions. Obviously, for safety reasons, you do not want to be lowering standards when you are dealing with the highway system. That is why it is quite a unique circumstance that the Member is talking about, because in that case the standards may not have gone to highway standards, but they went to a standard that was higher than what it was before.

* (11:40)

I would be concerned obviously as Minister that we not lower our standards, particularly on the main highway system, given the traffic volumes. I am sure the Member would agree with that because it becomes a slippery slope.

You know, there are always all sorts of arguments that can be put in place for relaxing standards here and relaxing standards there, and after a point in time, you end up with no standards. That is Highway 1. There is some significant traffic flow in there. So I do not think the option of sort of lowering standards is possible, but we are more than open to working with local municipalities, though, in terms of alternate options.

What I think is important across the province, by the way, is partnerships, where we can develop partnerships, whether it be with municipalities, and there is a fair amount of back and forth on that, as the Member will know, in terms of maintenance and responsibility for highways. I see a lot of potential in the future to work far more co-operatively with First Nations communities, the issue of remote access and access to semi-remote communities that can be improved. So there is a lot of ability to work with other governments, other levels of government, but I think the basic principle has to be, wherever possible, maintaining a standard of safety.

In the case of the road the Member mentioned, that was upgrading it. It may not be upgrading it to provincial standards, but it met the needs on that road. Dealing with Highway 1 and the highway the Member was mentioning, you are dealing with significant highways and it does create a different kind of challenge.

Mr. Faurschou: I appreciate the Minister's comments, but I want to hammer home the point insofar as you have a very substandard road in existence, and the Department of Highways, with its limited budget, is not elevating the standard of that particular road.

We have provincial roads all over this province that are field grade in height. We do not have the dollars to upgrade them to provincial standards. So what I am trying to emphasize is that an improvement to even municipal standards is a gigantic step forward. Provincial Road 227, for instance, is less than field, and I repeat, less than field height. So you know that this provincial road is going to be filled in before there is snow on the fields.

I know there are a number of complicating factors insofar as the Department of Highways does not have the bridge budget to go over the Assiniboine River floodway, and that is an expensive endeavour as well as acquisition of properties that are maybe, in some people's minds, excessive to provide for the provincial standard. We have to look at where dollars are best spent. I am not ever suggesting that we should lower our standards, but to acknowledge standards that are affordable and I know that we

have always wanted to provide. When we do a job, we do it first rate, but right now we are not doing any jobs because we can only afford a very few at the very top quality.

Maybe it would be best to look at a standard that is a significant improvement over what already exists there now rather than delaying and going way high. Provincial 227 is in great need of upgrade the way it sits right now. It has been upgraded to provincial highway standards right from its intersection with Highway 6 at Warren right clean through to the intersection of Provincial Road 240, which travels north of Portage la Prairie.

The balance of Provincial Road 227 that continues west of Oakland and Provincial 240 through to the intersection of the Yellowhead to Provincial Highway 16, that section of road is in a deplorable state of affairs, and to which, to the Minister, I made note of that just two weekends ago, the University of Manitoba field station was inaccessible because of the weekend rains and the state of affairs on Provincial Road 227 that basically you need an all-terrain vehicle to navigate Provincial Road 227.

What I am coming back to essentially, first off, is co-operation. I would like to hear the Minister say on the record that he will continue the win-win co-operative arrangements with municipalities in every avenue that is possible and to look at Provincial Road 227. I know that originally this was the year to get underway with it, the balance of it, and I just hope that the Minister is going to follow through and get this very important roadway in my constituency upgraded.

Mr. Ashton: Yes, I do know a fair amount about gravel roads, coming from northern Manitoba, believe you me, and I appreciate anybody that has a concern. I notice the Member from The Pas is here too. He knows a fair amount about gravel roads as well, so I certainly take the member's advice on the condition of highways. I think it is important to recognize too that, even the best gravel roads, there will be times, if you have heavy rainfalls, there will be some difficulty, but I certainly acknowledge in terms of 227 that there has been some work done.

It has increasingly become a bypass to Winnipeg. I have actually taken that route myself. I know my Deputy Minister has been on that road. It plays a fairly significant role, and I assume, when the Member talks about municipal roads, he is not suggesting this become a municipal road. I think he has argued just that it maintain part of the system. I know currently on that, we do have dust control, I guess, dust subsidization from Oakland through to the paved portion, but I certainly have passed on the concerns about the one particular stretch, the stretch that accesses the Yellowhead from Oakland. I believe that is where the main concerns are, and we will certainly review it in terms of both ongoing maintenance and future upgrades to that particular highway. I do acknowledge that it is becoming, shall we say, a Portage la Prairie-Winnipeg bypass, to access that area. I remember a few months ago, my son had a swim meet out at Southport, and I took that route back. You can pass on to your constituents that I have driven 227 directly. I appreciate the Member's point.

Mr. Faurchou: I appreciate the Minister's familiarity with the road, and it is important, and I do know that it is within the Highways Department system for upgrade. They are a multi-staged affair currently, and I just hope for the Minister's support to continue with that staged approach for upgrade, land acquisition, roadbed construction and ultimately the bridges. There is one on Rat Creek and there is one on the Assiniboine River floodway that are two major expenditures for the Highways Department.

You mention aggregate and I want to pass on to the Minister that I know the Highways Department contracts with various suppliers for aggregate, but one thing that is a concern to me is the accessibility of that aggregate as we consume that resource for the highways. If you were to look at the books today with current exploration, we have less than eight years of highways standards aggregate on the books today. That is not to say that there are not unknown sources yet to be scoped and analyzed and made available to that.

We have to be very, very conscious of how we use that resource, and we have to be able to

bear in mind construction that will use that aggregate for the greatest life span possible. I believe the balance of 227 with the saline resurfacing that has been used, there is one avenue that is doing that. We are not seeing half the aggregate that was applied in the springtime in the ditches by the end of the year. I appreciate the Minister's continued support for 227, certainly a very valuable access route through my constituency.

* (11:50)

Now, moving on to that particular topic of redevelopment, I do want to ask the Minister's consideration about signage. I will come back to 227. It is nice to see the Minister's name up there in big, bold print on a highways project sign. *[interjection]* It might not be the current Minister, however, it has been the past practice—and the contractor. I want to impress upon the Minister the practicality of signage.

When we are into a construction mode, there are certainly considerations for safety. Driving on roadways that are under construction and, on occasion, sometimes more than one would appreciate, the temporary controls that are on that traffic flow get knocked down. The next vehicle coming along that road does not have the benefit of those pylons or perhaps of the flashing light that has been inadvertently tossed into the ditch.

Coming back to the sign, I really feel it is very, very important that on the project signage there is a 24-hour telephone number that persons can get hold of somebody in order to reposition and restore the safety features that are there because it is not readily available. I did come upon personally a situation that, had I not been as slow-moving and as cautious and knowing the roadway as I do, I would have ended up in an excavation that was there for a culvert. It had been knocked down, and I repositioned it personally, got out and picked up the pylons out of there. I was looking to find somebody that I could call to say: I did this; I do not know if they are all in the right spot where you wanted them. I had no ability, and certainly the 1-800 number to the Minister, I do not think you are going to be answering at three o'clock in the morning to find out what pylons.

So I impress upon you the signage that it should be a practicality as well as informative, that in emergency situations a contact number be placed upon that sign as well. Our signage as well, I want to ask the Minister, as regards ongoing development of our tourism industry as well as our further development of our commercial industry here where we are importing and exporting and wanting to develop, I do find our signage—if you travel the interstates of the United States and through various other jurisdictions, even within Canada, the signage is more extensive than we are affording ourselves here in Manitoba.

I just wanted the Minister to perhaps comment on those two points regarding signage.

Mr. Ashton: First of all, I appreciate the Member's point in terms of signage. Actually, my name is not anywhere. We made a conscious decision not to sort of go and scratch out the old minister's name and stick, apply to the maps—we are still using Glen Findlay maps. By the way, there was no Darren Praznik map. We are going to use up every last one of these. I did not think it would have been appropriate to go and recycle these, given the significant expense. When we do put new maps out, obviously there will be an updating of the information in terms of that.

An Honourable Member: And Glen kind of looks like you.

Mr. Ashton: Well, Madam Chair, I just sort of look at this. Glen was slightly greyer. That is probably what I will look like in a couple of years of Highways.

Anyway, I want to thank the Member for the point because the point about the signs is that it obviously indicates the announcement by the Government, but it also includes the contractor's name. The contractors essentially are the ones that are doing the work. It is not the Department per se, so we can look at ways of making that kind of access available. I do not know if it is possible to do a 24-hour indication, but I think it is a good point.

One of the points, I think, that is important to note is that that is one of the key components when the signs are put up. It is not just sort of

announcing the Government's intention of construction. It does give some clear indication of a construction zone. I am looking at a different design right now in terms of that. On the sign I maybe ought to include that.

In terms of signage generally, I want to indicate that it was funny driving out to Pine Falls yesterday, it strikes me that we end up with some paradoxes here where there is not much control on the private side. When I say control, there are different views on it, but I have had complaints as minister about perforation of commercial signs and highways right of way. I am not saying that necessarily there should not be any signage, but I think we need to look at a review of the policies. Other jurisdictions have fairly significant policies. We do spend a fair amount on signage, by the way, annually about \$3 million. But a couple of areas that I think are important to note, there are some real gaps in terms of communities. This has been raised. A fair number of First Nations communities are not signed properly. This goes back to the days when First Nations communities were listed as, you know, IR and the number. I think it is important to recognize that. We have some issues that have been raised with us by communities, generally, that maybe are not signed in the way in which they should be, and I do think—and I am not the Minister of Tourism here—but I think there is a real role for Highways to work with Tourism on upgrading a number of factors.

One suggestion that was made to me recently by actually a former MLA is the fact that we should be looking at more co-operation with our border provinces and states in terms of tourist facilities and weigh stations. I mean, you go across the border and we have Canadian and American weigh stations. It always strikes me as just a complete waste of money, and you have access points. It has become a significant concern.

One of the things that I would throw out is I would like to see us greatly improve our highway rest stops—I know this has been raised with me by people within the Department—because there is a real opportunity there to give much better information to the public. That is one thing I do notice when I travel is we are not

at that same level. It might allow us some way of working in the needs of commercial businesses to be able to advertise their property.

For example, if you are driving on a highway, you need to know what hotels are available, say in Brandon, half an hour or an hour before. If you have a rest stop that allows you to do that, it is far more effective and safer than if you have a thousand and one signs on the highway. When I see like detailed signs with phone numbers and all the rest of it, I just cannot imagine people sort of driving down and sort of trying to write down the details of a hotel down the way. So we will continue this later on, I am sure.

Madam Chairperson: Order, please. The time being 12 noon, I am interrupting proceedings. The Committee of Supply will resume sitting this afternoon, following the conclusion of Routine Proceedings.

AGRICULTURE AND FOOD

* (10:10)

Mr. Chairperson (Conrad Santos): Will the Committee of Supply please come to order. This section of the Committee of Supply will be considering the Estimates of the Department of Agriculture and Food. Does the Honourable Minister of Agriculture and Food have an opening statement?

Hon. Rosann Wowchuk (Minister of Agriculture and Food): Yes. Mr. Chairman.

I want to say that I am pleased to introduce Manitoba Agriculture and Food's Estimates before this House committee for the first time. In doing so, I would like to express my appreciation and thanks for the hard work and dedication of our department's staff. Our employees have continually demonstrated their commitment in serving our farm families and the agriculture and food industry.

My early term as Minister of Agriculture and Food certainly came at a very challenging time, a time of a farm financial crisis. Although there are many challenges facing our farm community, in great part, this crisis is driven by

international trade problems. We all know that the United States and the European community's agriculture supports are much higher than the supports in Canada. This is one of the things that continues to depress the world market prices and distort the production decisions of their farmers.

We have continually pressed the federal government, stressing that it is their responsibility to negotiate with other national governments to reduce their market distorting subsidies to agriculture. Our producers cannot compete with the treasuries of other national governments. We will all remember that it was changes made by the federal government to reduce the supports to agriculture that have driven our supports far below the amounts in other countries. This has certainly hurt our producers, and one of those changes was the elimination of the Crow that has certainly increased costs for our producers.

The Premier (Mr. Doer) and I have also stressed to Ottawa that substantial resources are required to assist producers through this crisis. We have had many discussions on that. On February 24, the \$100-million Canada-Manitoba Adjustment Program, known as CMAP, was announced to help address the current farm income crisis. CMAP was launched to aid Manitoba producers in adjusting to the elimination of the transportation subsidies during a period of low crop prices. In 1999, AIDA, in Manitoba, has been substantially revised to make it more responsive to the needs of Manitoba's producers. Enhancements such as producer's choice with reference period, choice of inventory evaluation methodology, and adjustments for expanding farms, ensure greater eligibilities for many of our farm families. If AIDA is renewed or a new AIDA-type program is entered into for 2000, concerns about farmers with a tax year-end of January 1 have been alleviated.

When faced with the serious economic situation for farm families facing excessive moisture in the spring of 1999, Manitoba allocated \$71 million toward the 1999 Manitoba Farm Disaster Assistance Program. We were extremely disappointed with our federal government's recent announcement rejecting our province's request for additional funds to cover damaged farmland from the 1999 flooding.

Hopefully, the federal government will change its mind and we will continue to press our request to the federal government for assistance in this matter. But, as well, we have to press the federal government to make changes to its Disaster Assistance Program to assure that these kinds of problems do not arise in the future.

The Manitoba Government is doing its part for producers to ensure the future of farming throughout the province. Safety net expenditures for 1999-2000 were at a historically high level. In addition to funding crop insurance, NISA and wildlife damage compensation, we have committed \$43.5 million to the Agriculture Income Disaster Assistance, or better known as AIDA program for the 1998 and 1999 tax year, plus \$23.6 million for the latest AIDA enhancements.

Within my first seven years of office, we have dedicated considerable amounts of time, energy and resources toward addressing the current farm financial crisis. In the months and years ahead, we look forward to placing much more emphasis on addressing the long-term challenges and opportunities facing our agriculture and food sector.

Mr. Chair, Manitoba Agriculture and Food Estimates 2000-2001 reflect our government's commitment to support the long-term viability of our family farms, our rural communities and our province's agriculture and food sector. We are especially committed to this endeavour while adhering to the basic principles of sustainable agriculture.

I would now like to present a few highlights of the 2000-2001 requested budget totalling \$114.1 million. Our Estimates now include \$912.4 thousand in funding for the Food Development Centre, which has been transferred to Manitoba Agriculture and Food. Within our budget, we have allocated five FTEs and \$480,000 to the new Livestock Stewardship Initiative. This new undertaking will address pollution issues facing our expanding livestock industry. The Livestock Stewardship Initiative will provide resources to assist in the development of manure management plans, soil testing supports relating to nitrogen utilization, assistance and support in farm use and zoning

processes, and technical reviews for proposed livestock related expansions.

We have budgeted for various crop insurance enhancements. For example, \$4.2 million is allocated for the new flexible price option. This new enhancement enables producers to purchase up to 25 percent additional coverage, if the market price for major crops increases from the prices set when they acquired their insurance policies early in the calendar year until early summer when the prices will be reviewed. This option has been made available, as there has been a significant reduction in the crop insurance prices over the previous years decreasing the value of the insurance coverage.

Further, \$890,000 in the 2000-2001 funding is provided for excessive moisture insurance of \$50 per acre. This new enhancement has been introduced as a standard program feature at no cost to the participating insured producer. Farmers, who are unable to seed on or before June 20, will qualify for payments under this new feature. We hope that this new crop insurance enhancement will eliminate the need for ad-hoc funding, such as was provided to producers experiencing excessive moisture conditions in the southwestern part of the province.

Also, within our budget, \$16.2 million is allocated for agriculture disaster assistance programs as a replacement to AIDA. This funding is critically needed to help our producers face dramatic declines in the 2000 tax year. We are committed to participating in negotiations with other provinces and the federal government to determine further details involved in this AIDA replacement program.

During this challenging time in our industry, our government remains committed to the long-term viability of our family farms. We will continue to negotiate with the federal government for programs that support and encourage the sustainability and growth of our industry.

Our Estimates also provide for an increase in funding allocation to the Net Income Stabilization program to \$19.2 million. Our

government's contribution to this voluntary program is designed to address fluctuations in our producers' income.

There are many challenges facing this industry, and I look forward to discussing our requested budgets in more detail with the members of this committee.

Mr. Chairperson: We thank the Minister for those comments. Does the Official Opposition critic, the Honourable Member for Emerson, have any opening comments?

Mr. Jack Penner (Emerson): Yes, Mr. Chairman, I do. I want, first of all, to congratulate the Minister officially for her being appointed Minister of Agriculture for the province, she being probably the only one that has any agricultural experience in the province and coming from an area that I think has had and shown a tremendous ability to produce many of the products that we produce well in this province. Specifically, the Swan River area is known for its canola production capability, among other things. So I think she needs to be congratulated.

* (10:20)

We welcome her to this position. I look forward to working with her in Agriculture, as do many of my colleagues who are long-time farmers, many of our associates are, and certainly have a great knowledge of the agricultural industry.

This is the first time that I have ever had the misfortune of sitting on this side of the House, but it has given me an opportunity to become involved in the discussions and the debates of an industry that I hold very dear to my heart. All of my family is involved in agriculture. That is our livelihood. That is our first love, has been for four generations now. A fifth generation is coming up, and we hope that they will continue in that capacity as well. Our farm has expanded significantly over the last 10 years, and will probably expand further if the family keeps growing.

Ours, I believe, is a true family farm, and I find very interesting very often when members

opposite, the Minister of Agriculture (Ms. Wowchuk) makes statements saying, we will stand by our farmers and that they are great supporters of the agricultural industry. I also find it very interesting that if they were really serious about this—and when I look into the Estimates I have to really wonder how serious and what it really means when they say stand by farmers, because maybe that is exactly what they mean. They will simply just stand by them.

But we believe that the agricultural community and the industry have a tremendous future ahead of it, and I concur with what the Minister said and I respect her concern about the huge amount of money being spent by the Americans currently subsidizing its industry through various programs, and I think that we should spend a lot more time in the international forum debating the pros and cons of this whole issue of subsidization. I have always been a strong supporter of a free trade economy in the world, but it cannot work as long as we have governments such as the European Union and the Government of the United States and other countries constantly supporting their agricultural community beyond not only the farm gate but beyond their productive capacities, encouraging production in areas that they might not be in and therefore distorting the competitiveness of farmers such as our own.

I want to congratulate the staff of the Department of Agriculture and the former minister for having taken agriculture through a period of time that I think was most difficult. The last decade in agriculture was not an easy one. We lost a sugar-producing industry, a refinery and a productive capacity the likes of which we had not seen on the Prairies, and indeed I believe that the growers demonstrated their efficiencies by being the most efficient growers in all the world, and, yet, by forces outside of our control, government's control, that industry is no longer here. Largely it is probably because of the evolutionary process going on in the sugar industry and the strong sugar lobby worldwide.

The sugar lobby and the tobacco lobby are probably two of the strongest lobbies in the world right now, and they force and change things that have impacts on us, and our federal

government simply refuses to participate in that. You cannot cut loose an industry or a portion of an industry and say you are on your own when other forces allow the subsidization to go on. I think the protectiveness of the sugar industry in the U.S. till now has demonstrated a will by the American government to ensure that that industry would be competitive in a highly subsidized area and in a protective sugar world.

Similarly, I think our farmers now in this country are faced with a very similar situation. Our grain farmers have been cut loose. The Crow benefit that was there to make sure that we were able to be competitive and have an equal costing of shipping our grains to export is gone, and therefore Manitoba is in a position whereby our costs are going to be much, much higher to get our raw products into an export position, which leads towards some dramatic opportunities.

However, I believe the federal government and the provincial governments have a tremendous responsibility to those producers to ensure that their competitiveness is maintained. I found it very interesting just a couple of days ago when the Americans announced another 25 cents a bushel for their oilseed enhancement program, added to a program that already adds an additional roughly \$2, \$2.50 Canadian to the price of canola over and above our canola. I think their agricultural support program, which is largely delivered through a disaster aid program, therefore making it green under GATT and the World Trade Organization, distorts the international marketplace to the point where I am not sure that our canola growers can stay in business over a long period of time at the current prices. I think you are going to see a dramatic shift in production or maybe even the total elimination of production.

I think our federal government and our provincial government needs to impress upon, have the ability to impress upon, the federal government their responsibility. Ten years ago, when the Progressive Conservative government ruled in Ottawa, they put in place a number of programs, special grains programs, that required no provincial involvement. They put up to \$4 billion a year into the hands of grain producers in Western Canada, mostly in Western Canada,

that was delivered strictly by the federal government, no requirement or provincial involved. I believe it is clear that provinces must agree to put a tremendous amount of pressure on Ottawa to take on their responsibility as far as food production is concerned.

The other worry I have is, when I listened and read some of the statements that came out of the environmental committee in Ottawa over the last couple of days indicating clearly that they were on track to eliminate entirely pesticides or herbicide use in agriculture, well, if that happens, we will see a dramatic reduction in food sourcing in this country to the point where I think it might even be impractical to assume that we could be and remain self-sufficient.

I have a similar concern with this provincial minister's budget. When she talks about the Livestock Stewardship program and those kinds of initiatives, I think we need to be very, very careful that we do not allow the forces that know nothing about the agricultural industry to drive our policy. I have some concern that some of what she is banking upon or listening to or some advice she is listening to really is questionable.

* (10:30)

I listened this morning to a news report of a report that was done on agriculture by an American writer. That writer has written a number of books. He was asked the question whether in fact he could substantiate what he had written, and he said, sorry, I do not know anything about this. He had written a book on it.

So these people, whether they are the animal rights groupings or whether they are the European environmental activists, are now severely questioning our canola research and breeding program over the last 20 years, questioning all the work that Baldur Stefansson has done on changing the canola plant to produce an oil that is probably deemed to be the safest oil and the best oil in all the world. Because somebody decided to put a gene into this product that would allow it to be produced without chemical and herbicide treatment, therefore, breeding a plant that will be much, much safer on the table of the consumer than we have now, there are activists there. I would

suspect that maybe, just maybe, the industries that produce all these and manufacture all these chemicals might in fact be funding some of this negative response.

It is interesting. The reason I raise the Livestock Stewardship program, I think it is a great idea to develop and to advance agriculture in a responsible manner from an environmental standpoint, but I truly believe. Mr. Chairman, that our farmers are some of the most environmentally conscious people in the world, and they are as conscious about the effect chemicals and the use of chemicals. They are the front-line users of this material, and they are also concerned about their and their children's health. So do you think, or does anybody think, that these people will do anything to destroy the foundation of which their livelihood depends, the soil and the water? Think again. They are the best stewards. There is no doubt in my mind. We are calling their practices into question, simply because others have raised the issue to a level that I think many times they know not what they speak of.

So I only caution, Madam Minister, that we not allow ourselves to be swayed and ruled by those who do not have the true interest of the industry at heart, or the food production. If we, in fact, would do as the environmental committee in Ottawa is recommending we do, we might find ourselves well onto the path of this huge famine that was predicted back in the early '60s that should have happened in the early '80s. Yet we changed agriculture and the agriculture practices. We created the green revolution, which allowed farmers to produce much more food from an acre of land than we ever had. Yet now the exact opposite forces are in place.

I think it is imperative that we allow the agricultural community to be at the forefront of developing policies of creating a climate and atmosphere of food production, whether it is in livestock or whether it is in grains or specialty crops. I want to talk a bit about some of these things before we get ourselves all in a huff about creating new legislations and processes to ensure that our environment is protected. I am one of the greatest supporters of maintaining a clean and sustainable environment.

As a matter of fact, I was the Minister when we entered into this path of sustainable development in this province. I sat on the initial round table of this province on sustainable development, and I have always been a great supporter of sustainable development. I did a major address to the International Sugar Institute in this province back in 1990, and there was a big Dutchman from Holland at this conference. He said: Mr. Penner, if it was a different era of time in history, you would have just made a declaration of war.

They asked me to speak on sustainable development, and I did it from an economical standpoint, challenging their subsidization and huge amount of money that their governments were pumping into agriculture, as I did challenge the Americans at that conference. They did not like it, but it was real and it was true. The only way to have a sustainable agricultural community is to ensure that their income levels will be sustained at a point where they can compete with their neighbours, and our neighbours are the Americans.

So I see. Madam Minister, that you have a tremendous challenge ahead of you in this area, because the Americans are going to be subsidizing their agricultural production this year by about \$22 billion to \$28 billion, and we in this province are being told that you are on your own. Your own budget demonstrates that. There is no increase in the agricultural budget of any significance at all, and you are cutting spending in areas where I never thought we would even consider cutting spending. That is in your research budget.

Research is the fundamental and foundation of a sustainably developed nation in agriculture. If you do not have research, if you do not properly fund research, you cannot do the work that will get us into the next millennium. It is that you simply need to maintain that research funding.

Similarly, our young community, our young farm community, a well-educated farm community trained at university, most of them now, and a very flexible young community, these are ambitious young people. They have knowledge; they have expertise; and they are the

kind of people we need to maintain on our farm. Yet, when I look at the budget, I look at MACC's budget, and I see a dramatic reduction in that budget. I quite frankly do not understand how we are going to on the one hand say we are going to stand by our farmers and yet on the other hand cut the very fundamentals of the foundation building out of the budget, in research and finance.

When I looked at the budget and I saw that the average loan at MACC was about \$50,000, I said to myself, you know, that buys a fifth of the cost of a new combine. A \$50,000 loan buys you a fifth of the price of a new combine. So that is how minimal our portfolio in ag lending is, and I think we should have taken a dramatic look at this, if we are really going to encourage young farmers to spend the kind of money to make an investment in the future of our agriculture, to make some major changes in MACC, major policy changes and direction, because now is the time to do that.

We are into the year 2000, and it needs a minister that has the will, it needs a minister that has the drive and the energy to make the arguments in her Cabinet that you need to do this, because it will not need \$50,000 to bring young farmers into a productive system. It will take a million to five million dollars, each, of loans to bring them into a productive capacity, because it takes a quarter of a million dollars just to buy the combine to take the crop out. Then it takes another quarter of a million dollars to buy the tractor to turn the wheels of the cultivator, and it takes another quarter of a million dollars to buy equipment just to put the seed in the ground, plus all the other storage equipment, because we are on our own now. So it needs a support mechanism. These young people need support to build confidence that they will have a future in this province in agriculture.

I see our crop insurance system and I listened intently to what the Minister said about AIDA changes in crop insurance. There are many areas in crop insurance. I look at other provinces, and the costs to producers of insuring a crop in Ontario versus in Manitoba is questionable, and I will ask some of these questions later on when our people appear before us.

* (10:40)

The cattle industry, the cow-calf industry has seen some dramatic growth in this province over the last decade. It was largely done because of the encouragement by this government to ensure them that they would have the freedom to produce and that there would be support mechanisms shown to the cattle industry, the hog industry. I mean, we have not seen an expansion of the livestock industry at any time in the history of this province the way we have seen it in the last decade, and I think the agricultural industry as a whole had a confidence that they could make the changes to diversify and add value to what they had produced.

I believe there are some tremendous opportunities that are going to avail themselves over the next decade, but it is going to take some courage by government to stand by those producers, not only verbally, but with some meaningful support, and I do not see that in this budget. There is nothing in this budget that will demonstrate to any agricultural producer that that kind of support is there.

Our poultry industry has some dramatic opportunities, but will we have the courage and the will to meet with the other provinces and tell them that because the federal government made the changes to the Crow benefit, that we now need to start looking at quota allocations based on cost of production instead of population? Why should we in Manitoba not get the major portion of supply management quota in this province on any of the supply-managed commodities, because we can produce those commodities cheaper now, simply based on our feed cost, because we are going to have cheaper feed in this province than any other province will. That is without question. Everybody agrees with that.

Will this minister have the will and the power to negotiate with other provinces the allocation of a different kind of a quota system? That is the challenge in this coming decade. That will ensure that supply management will survive. If we do not, let me warn you that we will lose supply management if we are not capable of negotiating a better kind of quota allocation

system than we have had up to now. I include all the supply-managed sectors in it.

Mr. Chair, I think we have some tremendous opportunities for the advancement of some of the other industry. Take the bison industry. Bison in this province were almost an extinct species less than 20 years ago. Today we have better than 10 000 bison in this province. The herd is growing dramatically. Why? Because the credit goes to the agricultural producers.

I would caution the Minister to be very careful what she puts into a new act. There is a grave concern out in the agricultural community that the new act that she is proposing will add elements that will destroy all the advancements that we have made. I talked to one of the producers of our pet stores, one of the owners of Petland the other day. He said: If the Minister proceeds with her new legislation, we are done. We are going to close shop in this province. He said: We simply cannot survive under that kind of legislation, under that kind of uncertainty.

I think it is very similar. I talked to some of the exotic livestock producers. They tell me the same thing, that if that kind of uncertainty is provided for in legislation, we are simply not going to have the confidence to be able to make the investment or continue the investments that we have made.

I think we have some real opportunities in expanding our sheep herds and many of the other specialty areas.

Our grain industry is going to change dramatically. We have changed dramatically. We have seen the wheat production fall way below where it was. We have seen canola advance, but we have seen many of the other commodities make some major advancement. Our bean production, we have come from less than 10 000 acres of beans 10 years ago to this year probably around a quarter of a million acres of beans going in this year alone in this province.

Manitoba is now the largest bean producer in all of Canada, and it is becoming a major market and a major employer and a major processor. We have five brand-new industries in

my constituency alone that process beans that were not there 10 years ago. None of them were there 10 years ago. They employ major numbers of people.

What has the Minister indicated in her budget as the recognition of that specialty crop diversification initiative? Nothing. There is nothing here that indicates to me any changes that she is making to advance that diversification in economy.

Similarly in the vegetable field, potatoes, we have a tremendous opportunity in potatoes. But do you know what we need in potatoes? We need a constant, continuous supply of water for irrigation purposes. I do not see any initiative here, even a mention of the fact that irrigation becomes a major part of specialty crop production in this province. We have the climate. We have the soil. We have the people, the knowledge, the know-how. Yet, we need a will and a direction from this government that says go ahead, we are with you, we not only stand behind you, we are going to lead this. But we are not leading this.

I think we have a golden opportunity to get into vegetable production to a much greater degree than we are. In our area people are now experimenting with watermelon production. We have two watermelon producers that supply much of the City of Winnipeg's needs during the summer months in watermelons, musk melons and those kinds of things. When they first started this, people chuckled and said, well, you can only grow them once in a while in the garden and get them ripe, but these people have proved that you can do this on a continuing basis and make a dollar at it. It takes a huge number of people to do it. It is a great employer and some real opportunities. I think we need, in this province, an indication from this minister and this government that it is not only rhetoric that we are going to be looking for and that we are going to substantially be supportive of the agriculture community.

Thirdly and lastly, Mr. Chair, I want to touch, for a brief moment, on our 1999 flood initiative. The Filmon government, the Progressive Conservatives in this province, recognized a disaster when they saw one. They

recognized the need to make a decision and make it fast. They did. They put \$71 million on the table. I know this minister wants to take a bit of credit for that from time to time, and I do not blame her. I think we are all that way when we first come to government, but we need to respect the fact that there is still a great need out there.

I do not see any line in this budget that will indicate to Ottawa the seriousness with which this minister and her Premier have approached Ottawa. This tells me that Ottawa will say, well, these guys are not serious at all, that there is no need. I think there would have been clearly an indication if there were a \$40-million line in this budget that said for 1999 flood aid assistance, but it is not there.

So I say to you, Madam Minister, that we will go through your Estimates book line by line, issue by issue. I will try and give you some advance notice as to what issues we will be discussing so we do not have to have your whole staff component sit here, if that is okay with you. I would also like to ask whether it would be possible to sort of randomly go over the budget, that we do not stick to the line-by-line requirement, if that is in agreement with you.

Thank you, Mr. Chair, for the indulgence. I needed to say this.

Mr. Chairperson: We thank the Opposition critic from the Official Opposition for those remarks. I would remind the members of the Committee that debate on Minister's Salary, item 1.(a) is deferred.

* (10:50)

Ms. Wowchuk: I listened to the Member's comments with interest, and we will have the opportunity to discuss many of those issues that he raised, but I wonder, the Member said he was going to give some warning about which sections he wanted to ask questions on. I am wondering whether he might consider the fact that the two Crown corporations are from out of town and whether we might be able to start with the Crop Insurance Corporation, since they are here this morning, and then move to the Agricultural Credit Corporation, if possible, and then move into the other departments, if that is

agreeable with him or whether he has any concern with that.

Mr. Jack Penner: Mr. Chairman, I would have no difficulty with that if that helps the department get on with their business. I certainly concur with that. So we will call Crop Insurance in first? Agreed?

Mr. Chairperson: There is agreement, apparently, that we will first take up the Crop Insurance Corporation and the Agricultural Credit Corporation. But is there an agreement that they will not go line by line? Is there? I want to know.

Ms. Wowchuk: What I am requesting is that we could do the two corporations first, and then we will make a decision on where we go from there.

Mr. Chairperson: Okay, so there is no agreement yet. There is agreement on one point, that the order will be Crop Insurance and then Agricultural Credit. *[Agreed]* There is no agreement as yet what to do afterwards.

Now is the appropriate time for the staff to come into the Chamber. The Minister is prepared to introduce her staff.

Mr. Jack Penner: With the agreement of the Minister, I wonder whether it would be possible to agree to a break time. I have a commitment at twelve o'clock. Would it be all right if we had agreement that we break at twelve?

Mr. Chairperson: So there is another agreement. This committee will last until 12 noon. We are supposed to recess, yes, and then we resume in the afternoon.

Is the Honourable Minister prepared to introduce her staff members to the Committee?

Ms. Wowchuk: Yes, I am. Mr. Chairman, I am very pleased to introduce the staff that have joined us here in the Chamber. Many of you will know my Deputy Minister of Agriculture and Food, Mr. Don Zasada, who is over here; Mr. Craig Lee, who is Assistant Deputy Minister and responsible for policy in the Economics division. On my right here, we have Mr. Neil Hamilton, who is General Manager of the Manitoba Crop

Insurance Corporation; and Mr. Jim Lewis, Director of Finance and Administration of the Manitoba Crop Insurance Corporation. Thank you for joining us, and I am ready.

Mr. Chairperson: The item before the Committee is item No. 3.2. Risk Management and Income Support Programs (a) Manitoba Crop Insurance Corporation.

Mr. Jack Penner: First of all, let me say to the staff of the Crop Insurance Corporation that I have respected the tremendous co-operation that I have received in the past from the staff. I think that they have done an exemplary job in providing the kind of services that Manitobans have needed from an insurance corporation. As a matter of fact, I think it was just three or four months ago that I had the opportunity to sit with the General Manager and some of his staff to look at other alternatives and discuss other alternatives to the current program, that some of the producers in Manitoba were trying to initiate. I think that is an indication as to how receptive they are to discussing with the agricultural community options and alternatives and advancements. I think historically, even when I was involved in the ag lobby initiative. VIFE, that is the kind of corporation I found then, and I think that continues today.

I want to ask the Corporation whether they are, or the Minister, whether she is considering any significant changes to the Crop Insurance program other than what was announced during this last year for the future, or whether they are and have been in discussions with the federal government on any significant change options in the near future?

Ms. Wowchuk: I would, as well, like to begin by recognizing the staff and the Member showing his appreciation for the staff of the Corporation who is very considerate of the farming community and the challenges that the community is facing.

The Member talks about his efforts in lobbying and meeting with the Corporation to look at different programs that might be put in place. Certainly the Member is well aware of the negotiations that we have had with the federal government and the changes that are being

proposed to our safety net funding, and we have serious concerns about that. As far as various programs, there are various options that have been put forward by groups. The Member refers to the one that he has lobbied for and other people have put forward suggestions. Those have been looked at by the department and they have been forwarded to Ottawa for a review, and we await to hear their comments on them.

The Member would recognize that any program that is put in is funded by both levels of government and both would have to have input into the type of program that is designed, and the federal government is looking at them.

I want to also commend producers because no matter what various programs that have been developed by many governments, it is the ideas that come forward from the producers who are the actual people that are feeling the impacts of high input costs and low commodity prices and are struggling to continue in an industry that is very important to them. It is their way of life. It is those ideas that are brought forward and from there that the various levels of government can then take those ideas through committees and develop what will meet the needs of producers.

Mr. Jack Penner: The Minister has on a number of occasions indicated her desire to strengthen the safety net programs, and she has from time to time indicated that there have been significant negotiations. I wonder within those negotiations how crop insurance fits into that safety net structure. When you have been negotiating with Ottawa on either the AIDA program, the NISA program or changes to that, is crop insurance part of that change process? Can you give us an indication as to how this crop insurance fits in?

* (11:00)

Ms. Wowchuk: Mr. Chairman, crop insurance is a very important program to our producers, and it is part of our safety net package. It is really one of our benchmark programs and a very important part of the negotiations that have been in discussion. We are talking about safety net programs; all of them are included in that package.

In the Member's earlier comments, and if not in his earlier comments, many times he has raised the issue of negative margins and that as a government we should have taken the step to fund negative margins. That move toward funding negative margins would have an effect on our crop insurance and the level of money that would be available in that program and would dramatically impact crop insurance. That is why there was very serious consideration and thought put into the decision as to whether or not negative margins should be funded, and our concern was the impact that this would have on the erosion of our crop insurance, which is a basic program and one that is very important to our producers.

But, definitely, crop insurance was and is part of the discussions on how safety nets will be funded, and the changes that have been made to the safety net formula gives us grave concern as to the quality and the types of safety net programs we are going to be able to offer to our producers in the future.

Mr. Jack Penner: Well, Mr. Chairman, can the Minister explain in what areas how the negative margin inclusion would affect—can you give me some details as to how it would affect crop insurance?

Ms. Wowchuk: Mr. Chairman, the Member has raised a very important issue about why you should or should not get into negative margins, and once you do what the impact is on crop insurance. Once you drop into this area of covering negative margins, you are moving into an area that is covered by crop insurance, and then producers start to look at why they would have to take the coverage of crop insurance when their costs are going to be covered through negative margins. So you erode the base principle of crop insurance when you start to move into that area.

Mr. Stan Struthers, Acting Chairperson, in the Chair

Mr. Jack Penner: Welcome to the new Chairman.

The Acting Chairperson (Mr. Stan Struthers): Thank you very much.

Mr. Jack Penner: Mr. Chairman, I would like some detail as to how the negative margin option in AIDA would affect crop insurance. Give me some analysis. Tell me exactly how it would affect agriculture. My economics do not indicate that. When I do my books at home, my crop insurance is a line item, and if my yield has dropped below a certain point, crop insurance kicks in. It has very little to do with what my net margins at the end of the year are. Now, if there is something here that I am not aware of, I would certainly like to know this.

Maybe, Mr. Chairman, maybe the Minister would want the Crop Insurance Corporation to respond directly to these questions. I have no aversion to that.

Ms. Wowchuk: Mr. Chairman, also I extend my welcome to you to the Committee as well. The Member is asking about what the impacts of crop insurance would be if you were to cover negative margins through AIDA. If Crop Insurance covers a producer at 80 percent, if you would drop below the 80 percent then that producer presumably would then be drawing from, qualify for the negative margins, that money would then come through the AIDA system. The producer would recover their costs through that one. There are no premiums in that system, so I guess I would question and I think our producers would also say: Why would I then pay for crop insurance premiums when I can have my negative margins covered through AIDA and have my costs recovered through AIDA without having to pay any premiums? If that would happen, then you see an erosion of the Crop Insurance program.

Mr. Jack Penner: Mr. Chairman, I find that argument somewhat interesting because, No. 1, the only reason we buy crop insurance is to guarantee ourselves a minimum income at any given time. It is a guarantee that we are buying. There is no guarantee that the negative margin option in AIDA would give me a payout at any time if my margins do not drop within a percentage point and crop insurance can kick in and keep the value of my income at a certain base level.

As a matter of fact, I think the argument you are making is just in the reverse on the other

side. I think that, if we have a strong enough Crop Insurance program that farmers can participate in, there would be no need for an AIDA program, if you would add value into the insurance scheme other than just productive value.

As you noted in your own budget paper that you put out, the crop insurance coverage this year will be lower because of the formula that we use in determining what the coverage levels would be based on previous years value of given crops. So I agree, the levels of coverage will be lower. I suppose the premium rate will be lowered accordingly because we are buying a certain amount of value at a given cost.

Now, if my average incomes from last year dropped to below my cost of production, even though crop insurance kicks in, it can still be well below my cost of production, because many of my insurance levels, if I insure at the 50% level at the base level on my farm, that becomes my crop insurance program. I could be much under cost of production. So there is no way that without a negative margin option in AIDA that AIDA would properly pay out what should be accrued to my farm operation. I think either the department or the Minister's office does not understand what that really means.

* (11:10)

We have had this debate many times. There are some producers that would have agreed with you until you sit down and debate it properly and do the numbers and then the negative margin option becomes a very, very real option. I gave you the case in southwest Manitoba, or even at St. Jean last year. Many of those farmers that received some support through crop insurance because of their yield losses would have **received** substantively more support through AIDA if **there would have been** a negative margin option, and we said no to that. I would like to know where and how the calculations are done in crop insurance to say that crop insurance would be jeopardized if you have a negative margin option. I just do not understand that.

Ms. Wowchuk: Mr. Chairman, I can assure the Member that the staff at Crop Insurance, and the staff within the department and in my office,

looked at this issue very closely. I wonder if the Member realizes also that there is, I believe, only one province that is into the negative margins, and they are into that program because they had it before. All other provinces have looked at this and all have recognized it as not the best move and have made the decision not to go to that option.

The Member should also recognize that we looked at this very closely, and money was put in through the AIDA enhancements. Had we gone to negative margin option versus the enhancement options, there would have been less money that would have flowed to the producers. The amount that would have been flowing to producers by covering negative margins versus the enhancements that we chose to put in resulted in more money flowing to producers. So we are concerned about the producers and are trying to do what we can, but it cannot cover everything. We looked at the options as to how we could best have money flow to the producers.

Mr. Jack Penner: Mr. Chairman, I would suspect that the reason we did not enter the negative margin option has very little to do with crop insurance. The detriment to crop insurance, I think, has everything to do with the provincial government not wanting to spend an extra \$30 million. The negative option, if you would have kept the \$100 million the way it was and utilized the additional dollar that flowed and added to the negative option, you would have spent roughly about \$30 million, although that is a figure I sort of pull out of the air because you only look at what the net incomes have done in the province. Based on that, you do a rough calculation that it would have cost you roughly about \$30 million, I would suspect, if you would have entered that program.

I think the Treasury looked at that and said: We are going to save this money and we are not going to participate. I think that is the same reason the other provinces used. I think that was a mistake, because negative margins are only a reflection of very dramatic income losses on some of the farms and not others.

So I would ask that this minister reconsider, and I would suspect that if she had the debates

and discussions with other ministers from across the country, she would get the same response that they all were afraid of spending more money on a program that—and I agree with the Minister on this one. It is a program that should have been a federal program totally. It should not have required the participation of the province. I think it was a mistake to get into that partnership, because it was a federal responsibility.

Having said that, I want to ask the Minister then in Crop Insurance on premiums: What is the cost of insuring an acre of wheat in Ontario, in premiums, compared to Manitoba?

Ms. Wowchuk: Mr. Chairman, we do not have here the specifics of the cost. But I can tell the Member that the rates of coverage or the costs of coverage are set by the same method in all provinces, and the rates in Ontario are lower than Manitoba because they have a lower risk. That was the whole argument that we had with the Agriculture ministers across Canada, particularly led by the Ontario minister, to move the funding of safety nets away from risk and move it on to agriculture production of a province.

That is a big mistake, and it is not something that happened just in my term of office. This has been something that has been going on. If I look at the communiqué from the previous Agriculture ministers' meeting on safety nets, it was started last year and it was raised by the previous Minister of Agriculture that we were going to move to this funding based on production rather than risk. It is a very serious problem that we have now here in Manitoba and in Saskatchewan, but my concern is with Manitoba, where we have higher risks.

You can see just by looking. When you look at the issue that you have raised here as to what Ontario's rate is for insuring an acre of wheat versus ours, we have higher risk than they do, our rate is higher. They are set on the same formula. It is the same information taken into consideration, but the other provinces, because they want more funding for their provinces, rather than looking at how to protect farmers from risk, have now moved to this formula, have insisted that we move to this formula of dividing

the funds for safety net to be based on production, not on risk, and we have a very serious problem.

Ontario farmers do have a lower premium for their crops than we do, but it is all based on the same formula.

Mr. Jack Penner: Does the Corporation know what the premium rates for dollar value of coverage are in Ontario compared to Manitoba?

Ms. Wowchuk: Mr. Chairman, we do not have those numbers, but we can certainly get them and I can provide them to the Member at a later time. We are indicating that they are lower than ours.

Mr. Jack Penner: I wonder, Madam Minister, whether you could get the rates and coverage levels for all the provinces, whether that would be too much to ask. I think it would be useful.

Ms. Wowchuk: Can the Member indicate more specifically? Are you looking for a particular crop? You asked about wheat. Is the Member then looking for the crop insurance premiums for an acre of wheat in comparison to Ontario and other areas? What specifically is the Member looking for?

Mr. Jack Penner: Mr. Chairman, what I am really requesting is the coverage levels of the various commodities, including those in the various provinces. Surely, there must be charts available somewhere of the premiums and coverage levels in all the provinces of crop insurance. I think it would be useful to do the comparison to see where we are.

* (11:20)

Ms. Wowchuk: Mr. Chairman, I am sure the Member realizes that, here in Manitoba, we have 15 risk areas, we have about 40 different crops that we cover, and if we were going to the other provinces, this is a fairly substantial amount of information that he is looking for. So I guess I would ask him to clarify whether it is a particular crop or whether he is looking for a breakdown by risk area or what kind of information it is that he is looking for. If he might be able to clarify that, we might be able to

accommodate his request, but I am not sure that we need to know in every province what their various risk areas and coverages are.

Mr. Chairperson in the Chair

Mr. Jack Penner: I find that interesting. I would suspect that one would probably be able to go onto the Internet and find it if one chose to spend the time. I was wondering whether we would not have those kinds of numbers at our fingertips. Especially, Mr. Chairman, I find it very interesting that this minister would not have those in her office, specifically when she has just finished negotiating a new safety net program for the province of Manitoba.

I would suspect that she would want to have apprised herself of all that information to ensure herself that she was getting value for her dollar. It would appear to me that the Department would have all those numbers before them: This is what potatoes cost in Ontario to insure; this is what potatoes cost in New Brunswick, P.E.I.; this is what it costs in Manitoba. This is what it costs to insure peas in all the rest of the provinces. I would find it very interesting that the Minister would not have those numbers in her office, and I would suspect that she would want to have them in her office just to assure herself that we were being treated fairly in this province.

So I would ask the Minister to secure those numbers on all the commodities and apprise herself of those numbers because that is the only way that I could ever negotiate.

Ms. Wowchuk: Well, Mr. Chairman, we did have very interesting negotiations on this whole issue of safety nets. Our argument was always based on the fact that we have higher risks in this province than they have in other provinces and that Ontario can offer more protection, crop insurance, for a dollar than we can in this province just simply based on the fact that there is less risk there than there is here. That was the basis of the argument that we had with the other provinces as to how safety nets should be funded.

It is an agreement between the federal government and the provinces on how funding

for safety nets should be allocated. The numbers that we come up with are actuarially based, and each province has to report every five years their overall methodology on how they figure out their risks.

The Member indicates that we should have all of this information at our fingertips. As we are in negotiations with the other provinces, I can assure the Member that we took the arguments there based on facts, on what our needs were and what the risks were for our producers in comparison to other producers. I know that the previous minister was well aware of this, and I am sure the previous minister did not go to the table with the statistics of every province and every risk area and every level of coverage to make the argument. I think you can make that argument.

Certainly, the Corporation has all of that information. But to go to the table to negotiate the total safety net package and how it should be allocated to provinces, I do not think we need to have those details of various levels. Certainly, the Corporation has the ability to access them if they need it, and the federal government has the reports from each province that are reported on a regular basis. But we all know that history has been that the allocation of safety nets are based on risk and we have higher risks in the Prairies than other provinces do. Unfortunately, Ontario has more clout and is looking after more revenues for their province rather than looking at providing risk protection for farmers across the country.

Mr. Jack Penner: Mr. Chairman, I find the response nothing short of very interesting. I used to sell cars and trucks, and I used to have a book that was roughly this thick, dealing with one model of truck, and all the options, and every option to the last cent was specified. When I competed with my neighbour dealer or whether it was indeed the truck dealer in the City of Winnipeg, I knew exactly what his costs were and I knew exactly what I had to negotiate on, and I knew exactly what my costs were.

When we put a crop in the ground on our farm, we know exactly what we are putting in. We know exactly what our costs are; and, if we do not, we are not going to be in business very

long. I find it extremely interesting that this minister would go to Ottawa to try and negotiate a safety net program for Manitoba farmers without ensuring that she knew every last detail of costing before going to the negotiating table. I would suspect, Madam Minister, that there is a reason why we get 25% less net support from Ottawa through safety net programming than does Ontario. I simply suspect that it is a lack of information that was taken to the negotiating table to demonstrate clearly the need that Manitoba farmers would have had based on our costs and our inputs and our climatic conditions.

So I would ask again, Madam Minister, whether she is satisfied that all the pertinent information was available to negotiate an agreement.

* (11:30)

Ms. Wowchuk: The Member raises an interesting point, and I would wonder whether he talked to my predecessor and his colleague, who was in negotiations last year when this whole process started. At that time, the communiqué that came out said that they would establish an improved mechanism for allocating federal funds to programs and to provinces. His predecessor was at the table long before I was when these decisions were made. In all cases, when we were at the table discussions, the whole issue of risk was discussed. All of the other provinces know that there are higher risks in these provinces than there are in theirs. They are well aware of that, but eight provinces decided that they wanted to go the other way because it meant more money for them. It had absolutely nothing to do with risk.

Ottawa is the one who contributes the major portion of this, and Ottawa should recognize that safety nets should be about risk, but they decided that they would go with the eight provinces rather than address the risk factor in the two provinces that are hurt the most by this and will be hurt down the road.

But for the Member to say that we did not have the facts at the table, the facts were at the table when we were at it, and the facts were on the table when my predecessor, his colleague, was at the table, and the same discussions took

place. The process of moving in this direction to funding under revenues rather than risk began under his government's administration, and it was well on the way when I got to the table in these negotiations.

Mr. Jack Penner: Well, now we can get into the politics, if we want, I suppose. It is very interesting that the Minister, when she is put in a position of being questioned at negotiating skills, blames her predecessor. I thought we would deal with matters because she is the Minister, Mr. Chairman. She has been given the responsibility of the stewardship of agriculture for this province. She is a newly elected person, and I respect that, and I do not expect her to have all the answers, but I do expect the Department to have the answers. I think the Corporation needs to be able to supply the respective competitive information to be able to sit down and truly look at the competitive facts.

It is competition that we are facing. It is total crass competition, not political competition, crass economic competition. If Ontario producers can cover their costs to a higher degree than my producers in my province can, then I want to know why. If our risks are higher and if we want to stay in business, then I would suspect that we would negotiate with Ottawa a case whereby they added much more risk to the business when they did away with the Crow and all those other kinds of support mechanisms that were there before, and we should have made that argument very strongly. I suspect we did not make it very strongly.

So I say to you, Mr. Chairman, that I would like to see the numbers of what the coverage levels are in other provinces in crop insurance and what the premiums are being paid by producers at those risk levels. I think we have every right to those numbers, that we can assess whether we are treated fairly competitively because this has everything to do with trade distortion factors interprovincially. I will get into that eventually but not today.

Ms. Wowchuk: I indicated earlier to the Member we will get that information. We do not have it here in the House. We have indicated that we are prepared to get what information we can on premiums and the Corporation is prepared to

do that. It will take a couple of days. When we get back to the Estimates, we will try to get it to you.

But certainly the Member talks about the fact as to whether we raised the issue of the Crow and the responsibilities of the federal government to follow through, and I can assure him that those arguments were made very strongly at the table. But the Member also has to remember what I indicated, that there were eight to two: two provinces who were arguing about increased costs and higher risks than other provinces, eight provinces that stood to gain more money, and a federal government that chose to side with the eight provinces. That is in reality what it was.

I would like to indicate to the Member, as well, that I was not trying to put blame on the previous minister. I was giving him a bit of history about where all this comes from and that these negotiations did not just start this year. This has been an ongoing process. It was raised, I believe, that this has been going on for about three years, where the other provinces have been pushing, where there is not the kind of recognition that we used to have as a country that we cared about each other. We have become a society where we think about ourselves.

We said to the other provinces: You know, at some point you are going to have disasters and you are going to face high risks; we would be more than willing to put our support behind you, but we cannot move away from the recognition that there are parts of the country that have higher risks. We felt it was very unacceptable for the changes to be made, and we made every effort that we could to delay the process or to have the decision reconsidered. Unfortunately, we have lost on that one and there are going to be impacts on the level of supports that we can offer for our producers down the road.

My deputy reminds me, as well, that in these negotiations we were very concerned about these changes, and one of the things that we did get was that at the end of three years, there will be an evaluation of the process, and at that time we will once again have the opportunity to raise the fact that we have higher risks and that the formula that has been put in place we believe is

unfair. At the end of this agreement, in the three-year time frame, we will then have an opportunity to review this funding formula again.

But eight provinces are quite happy with it, and the federal government has decided to go with them.

Mr. Jack Penner: Well, Mr. Chairman, again, I get back to the negotiation process. The cost of production has gone up very dramatically in the province of Manitoba. Formulas used to determine risk I think clearly have to be an element of consideration by any government if you are looking at a protective scheme of an insurance policy. I think that the case needed to have been made much more strongly that because of the regionality of our country and the huge diversity of productive capacity in our country, it must be considered by Ottawa and other provinces.

* (11:40)

In our productive capacity on our farms, for instance in beans, we are very similar to Ontario because we have a number of friends in Ontario who produce beans. We do the comparisons. Their productive capacity in corn is much higher than ours is. Their productive capacity in wheat is very similar to ours, in many years lower than ours. I mean, the risk depends on how you evaluate because the cost of freighting our goods into an export market has become a major, major cost, and the storage of our products is way higher in this province than it is in Ontario. For instance, in the grain sector, the corn, wheat and those commodities can virtually all be hauled right into the marketplace, my friends inform me, but we have to store it simply because we are required by a Wheat Board permitting delivery system to only haul so and so much at a given period of time because of quota or contract allocations.

So, I mean, our costs are way higher. Our costs of getting my wheat to a marketable position in export approaches a dollar a bushel now. It has gone up very dramatically, but we could not make the case in Ottawa that they have walked away from much in western Canada and are now transferring that to eastern Canada and

the other provinces. It confuses me that we could not have made that case strongly enough for them at least to leave this in place for another session.

Obviously, the Minister did not do her homework before she went to the negotiating table. Maybe she did not even ask her department what the situation was before she entered the negotiations, and I would say to you, Mr. Chairman, that I believe that she has learned a strong lesson. I would suggest to you that before she goes again she might want to consult with some of her colleagues and maybe even the farm community and take the farm community with her, because they can I think clearly give her some direction and advice that might bode well at the negotiating table.

I want to ask a further question after she responds, Mr. Chairman.

Ms. Wowchuk: You know, the Member is putting facts or comments on the table that I want to comment on.

First of all, he commended the staff of the Corporation and the Department as to what a good staff they were, and then he says that I went to the table without proper facts and that we did not argue properly. Well, I can assure you that the Department is fully briefed beyond this issue, and the Department knows the facts very well about what the impacts are of moving from farm cash receipts away from risks. They are well aware, and we raised the issues at the table and made all the arguments on the Crow.

The Member will remember that those changes to the Crow were brought back in 1995, and if we would look back at some of those comments, I think that the Member was very supportive of the move away from the Crow and did not think about what the impacts would be.

But the Member is also saying that we did not negotiate very well for the producers of Manitoba. He is neglecting to raise the fact that we also got an extra hundred million dollars for Manitoba producers that was not on the table before to help with the further adjustment to the loss of the Crow, and \$60 million of that came from the federal government, \$40 million came

from the provinces, and that was one of the negotiations that we started as soon as we came into office. I am pleased also that we have been able to negotiate that there will be a review of this whole process and what the impacts will be on Manitobans. I recognize very seriously that the move by the other provinces and by the federal government toward cash receipts will cause some challenges for Manitobans.

Mr. Jack Penner: Not once, Madam Minister, did I indicate or want to cast aspersions on your staff, that they are not knowledgeable. I think you have some of the best staff in the country, and I think some of the most knowledgeable staff in the country. The dealings I have had with the Department of Agriculture and the people within the Department of Agriculture give me every reason to believe that we are extremely well served.

My question was to the Minister, whether she apprised herself well enough of the information before she went to the negotiating table. That is the question. I think it behooves the Minister to ensure that she has that information before her when she goes to a table. I have been in Ottawa many times; I have sat around those tables many times; and, if you come to those tables and are not well enough prepared, you might as well not go because you are not going to win.

I know that the Minister has had some tough, tough discussions because the other provinces—I agree with her—wanted to move to a different formula because it was to their benefit, but the risk factor that has traditionally been part of the rate-setting formula and the support formula needs to be changed because the environment has changed. The economic environment has changed. I think that needs to be clearly demonstrated and held before Ottawa's nose to make them realize that there have been dramatic changes since the last time we sat around that table, and there will be further changes because our cropping process is becoming much, much more diversified than it ever has. So we must change with the farm community.

I know that we will not always be ahead of them. The farm community will very often be

way ahead of us. I think only about a few years ago, when we had to have some significant discussion with Crop Insurance to extend the area of where we could grow beans—not grow beans, but cover beans under crop insurance, because we had never done this before. We were entering new territory. Yet I think the last three, four years have proven that it was not a mistake to expand that area.

I think we have demonstrated and will further demonstrate that we can grow crops in areas that we never thought we could grow crops economically, and different crops, and produce different commodities, whether they are livestock or other agriculture commodities. We would be able to do that.

But it is largely because producers are changing the way they do business. They are changing their agronomic practices. That is what allows them to make much quicker decisions and put crops into the ground much quicker than they could, or harvest. So we have frost to contend with. We have the large rains or floods or droughts to contend with. That is all there. But that is why we buy crop insurance, for that odd year where we know we are going to have to face difficulty. We want to ensure ourselves of at least a base level of income.

Mr. Chairperson, if we go to the line by line in Crop Insurance, I wonder if the Minister could indicate whether they have any changes in the staffing of Crop Insurance and what those levels of change of staff are.

Ms. Wowchuk: Mr. Chairman, the only changes that have taken place in the Corporation as far as staffing goes is that we have converted two term positions to two full-time positions, and these two people were in the positions hired on, brought in on term because there was an additional need. That need has continued, and they are now in full-time positions. One of the positions is in Dauphin, and the other one is in the head office.

* (11:50)

Mr. Jack Penner: Mr. Chairman, we are actually at 100 full-time staff now.

Ms. Wowchuk: This budget is proposing to add those two positions, and with those two positions that will bring us to 100 full-time staff.

Mr. Jack Penner: Can the Minister tell us where these staff are located? How many would be in head office and how many would be in the regional office?

Ms. Wowchuk: Mr. Chairman, of those 100 people, 60 are in the head office in Portage la Prairie, 40 are in the field. Of those 40, 2 are regional co-ordinators for the adjusters.

Mr. Jack Penner: So we have 60 at the Portage head office and 40 in the regional office, approximately, okay. How many adjusters do we have on full-time staff?

Ms. Wowchuk: Mr. Chairman, we have no full-time adjusters in the Corporation. They are all paid on a per diem basis, and there are 136 adjusters.

Mr. Jack Penner: And those numbers can change if we run into a difficult period of time.

Ms. Wowchuk: Mr. Chairman, that is the maximum number that are trained. They are not used. It depends on the situation that arises. But certainly, should there be a difficult situation, the Corporation would look at ways to address it. I remember in previous years when there was a problem, adjusters move to various areas to address the situations as they arise.

Mr. Jack Penner: What is the procedure in Crop Insurance? I should know this, but I do not. What is the procedure in hiring adjusters? Does Crop Insurance contract with them on an ongoing basis that they are on a retainer, or do you do an agreement? Do they train for specific areas like, in other words, hail or other crop-loss type methodologies?

An Honourable Member: Forages.

Mr. Jack Penner: Yes, forage inspections, those kinds of things. Do they train for—for instance, I know that beans are different than corn, and wheat is different than sugar beets or lettuce.

Ms. Wowchuk: The Member asked if there was a retainer for these adjusters. There is no retainer for them, and they are hired on a normal selection process. There are three different levels of adjusters and team leaders in each region, and they move up the ladder to the different levels based on the training they take. There are various levels of training that are offered for them to enable them to address the variety of crops that we grow here in Manitoba.

Mr. Jack Penner: What is the normal staffing contingent in the regional offices? In other words, what is the staffing component in a normal office? Two, three? Is there a manager?

Ms. Wowchuk: We have 19 offices distributed throughout the province, and in most offices—I should say, in each office, there is a full-time clerk and a full time agent. There is also a team leader who is also there and usually in the range of five to nine adjusters who would be in the region available to do work as required. In cases where there is co-location with other Ag offices, there could be sharing of the clerk.

Mr. Larry Maguire (Arthur-Virden): Madam Minister, I guess the question I have then is, I believe then that the adjusters are more or less hired on an as-needed basis according to the amount of work that is needed, whether it is a hail season or forage or that sort of thing. Can you confirm that?

Ms. Wowchuk: Adjusters are hired at the beginning of the year, given the training that they need, and then they only get work as work would arise. They are not maintained on any retainer.

Mr. Maguire: It is my understanding, then, that you mentioned that they are trained at the beginning of the year. We have 136 at various levels, so there would be an ongoing training there, I assume, to explain a bit the training process from my familiarity. I know people that are involved as adjusters and that sort of thing, but just to familiarize myself more with the process they go through in regards to their training activity.

Mr. Chairperson: Maybe the Minister may wish to reply when we reconvene. It being 12

noon, according to the rules, I am interrupting the proceedings of the Committee of Supply with the understanding that the Speaker will resume the Chair at 1:30 p.m. today and that

after Routine Proceedings this Committee of Supply will resume consideration of Estimates and the Minister will be ready to answer the question.

LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, May 25, 2000

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