

First Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
DEBATES
and
PROCEEDINGS
Official Report
(Hansard)

*Published under the
authority of
The Honourable George Hickes
Speaker*

Vol. LIV No. 9A – 10 a.m., Thursday, September 18, 2003

MANITOBA LEGISLATIVE ASSEMBLY
First Session—Thirty-Eighth Legislature

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ASHTON, Steve, Hon.	Thompson	N.D.P.
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DYCK, Peter	Pembina	P.C.
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JHA, Bidhu	Radisson	N.D.P.
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LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, September 18, 2003

The House met at 10 a.m.

PRAYERS

Introduction of Guests

Mr. Speaker: I would like to draw the attention of all honourable members to the public gallery, where we have with us from the Applied Linguistics Centre 10 English-as-a-Second-Language students under the direction of Ms. Jennifer Loewen. This school is located in the constituency of the honourable Minister of Industry, Trade and Mines (Ms. Mihychuk).

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

ORDERS OF THE DAY

GOVERNMENT BUSINESS

Mr. Speaker: The House will now resolve into Committee of Supply.

COMMITTEE OF SUPPLY (Concurrent Sections)

EDUCATION AND YOUTH

* (10:00)

Mr. Chairperson (Mr. Harry Schellenberg): Will the Committee of Supply please come to order. This section of the Committee of Supply meeting in Room 254 will now resume consideration of the Estimates of the Department of Education and Youth.

As had previously been agreed, questioning for this department will follow in a global manner.

Chairperson's Ruling

Mr. Chairperson: Before I open the floor to questions, I have a ruling.

During the consideration of departmental Estimates for Education and Youth in Room 254 on September 17, 2003, the honourable Member for Russell (Mr. Derkach) raised a point of order questioning the relevance of an answer given by the honourable Minister of Education and Youth (Mr. Lemieux). The honourable Member for Springfield (Mr. Schuler), the honourable Member for Dauphin-Roblin (Mr. Struthers) and the honourable Member for River East (Mrs. Mitchelson) also spoke to the point of order. I would like to thank all honourable members for their contribution to this point of order. I would also like to take this opportunity to identify for all honourable members some factors relating to the relevance of speeches in the Committee of Supply.

First of all, the honourable Member for Russell referenced a provision of *Beauschesne's* Citation 417 which states that answers to questions should be brief and not provoke debate. However, this citation applies only to Question Period and is not applicable in the Committee of Supply.

Secondly, our rule 75(3) states that speeches in a Committee of the Whole House must be strictly relevant to the item or clause under discussion. This rule must be considered, though, in a context of an agreement reached by this committee on September 12, 2003, as noted on page 455 of Hansard. The committee agreed at that time to conduct a global discussion during the consideration of these Education and Youth Estimates. Agreements such as this one allow for latitude in the scope of questions and answers as opposed to the more structured chronological style of inquiry. While our rule 75(3) does specify that speeches in Estimates must be relevant to the item under discussion, in a global discussion such as the current one, the entire department is effectively the item under consideration.

With these points in mind, I am ruling that the answer provided by the honourable Minister of Education and Youth should be considered

relevant and that the honourable Member for Russell does not have a point of order.

I would add that Manitoba Supply chairpersons have provided similar rulings on June 5, 2000, and June 21, 2000.

I believe all honourable members wish to keep the discussion flowing constructively and I respectfully ask for your co-operation in this matter. I thank you.

We will now resume with our Estimates. The floor is now open for questions.

Mr. Leonard Derkach (Russell): Thank you for the ruling, Mr. Chairperson. Yesterday, in the discussion on the Education Estimates, we seemed to stray from the issue that was being asked about to discussion by the minister on all kinds of aspects of education including strobe lights, and I am really not sure how we got to strobe lights. Nevertheless, that happens when a minister does not have any answers and then begins to wander all over the place just to take up time. I should advise the minister that we do have significant amount of time left in Estimates, and until we get to some answers on the issues that we are asking about, the minister may choose to waste some time in Estimates but, nevertheless, we will try to focus our time and our questions to the matter at hand.

The matter at hand, Mr. Chairperson, is one that we raise because of the political implications and the raw politics that could be involved in the whole issue in the administration of money from the Department of Education. We had asked the minister to explain to us how it is that a division came to receive almost half a million dollars in order to harmonize salaries in a time when there was a wage dispute and a strike going on in one particular division. There seemed to be no criteria that the minister can point to in flowing this money. There does not seem to be any ability of the minister to explain the rationale behind flowing the money except to say that there was a significant gap.

*(10:10)

We have learned that the division did not ask, made no formal or informal request for

money from the department or from the minister either. So it leaves a lot of unanswered questions with regard to what the motivation might have been to flow this money. Mr. Chairperson, at this point in time, although we have asked the minister why he and his department became directly involved, we have no idea as to where the genesis of the money came from and who initiated the actual idea of flowing the money since the division has emphatically stated that neither formally nor informally did they make any request for money from the minister or from the department. Now, obviously, within the department someone must have generated a paper, a background paper or something that would have suggested that this division is under significant financial stress, and in order to save programs or, I guess, alleviate stress for student education, this money was necessary to flow.

Somewhere that rationale must be housed within the department, and I am assuming within his finance branch. Mr. Chair, additionally, we know the minister said that Louis Riel, for example, settled their harmonization issue without requesting any assistance from the Government.

Well, I say to the minister, neither did Sunrise. Sunrise did not make any formal or informal request for financial assistance. We saw letters yesterday tabled by the minister, one was not tabled by the minister, which we were able to obtain. It showed that all the division was asking was for a meeting with the minister, a meeting which did not happen during the time in question.

Even without a meeting, the minister did manage to flow money to the division to settle this dispute. However, in the Estimates, we also were able to extract the fact that the minister and his department and Government did meet with CUPE representatives during a time of dispute. This is highly unusual, Mr. Chair, that a minister and his department would have involved themselves in discussions with one side of the two parties that were in dispute over a wage issue and over a contract issue.

So this whole scenario really is suspicious in terms of the motivation by government to do this. We know that the settlement between the

two parties occurred on and about the 17th of April and that between the 10th of April and the 17th of April, a decision was made to flow this money.

We also know that as late as the 10th of April, the minister made it very clear that the department would not be intervening in this matter and would not be forwarding money. Yet within a week, a decision was made to flow almost half a million dollars to this division.

We know, Mr. Chair, that the election was called on the 2nd of May, and that there appears to be some connection of the events that had occurred to in fact the call of the election. We then are also left to question whether or not there was some interference here by government beyond this minister's office.

There are many unanswered questions as it relates to this issue and we simply want to ask the minister today to provide for us the best answers he can on this specific issue, not on any other issues in the department. We want to focus on this particular issue.

So this morning I want to begin by asking the minister if he can provide for us the names of the divisions or the name of a division that may have requested financial assistance for harmonization of salaries since the election.

Hon. Ron Lemieux (Minister of Education and Youth): Thank you very much, Mr. Chairperson, and for your ruling that you made this morning with regard to Estimates. I just want to say that I thank the member for the question.

Through Estimates and certainly prior, we have made mention to not only media but others about \$112,000 going to Sunrise School Division this year and other monies that would be going, and we assisted Sunrise School Division because of the huge gap there was in salaries, upwards of 60 percent, which is a huge gap anywhere in the province, comparatively speaking.

It has always been the Government's role to act in the public interest in labour disputes, especially where there is a possibility of strike

action, I guess, or lockout. Labour Relations has a mandate to monitor labour issues throughout the province and act in the public interest. Labour Relations also, at the request of parties, can facilitate mediation conciliation services and through that process become engaged with the parties involved.

When we passed amalgamation legislation, we assured school divisions that we would work with them through the process whether it was on wage disparity or other issues. We continue to let all school divisions know, amalgamated and otherwise, that we are there for them and we are willing to sit down with them at any time to discuss any kind of challenges they have, whether it be safety issues, whether it be salary issues and there could be many more.

The question the member asked was whether there have been any divisions requesting specific financial support recently. My answer is that, to the best of my knowledge and what I have been advised, is currently we have not had any requests at all for financial support or any kind of support to sit down and talk to a division.

We did receive a letter requesting a meeting and showing that they wanted to meet to discuss the wage disparity in Sunrise School Division which is asking for support and asked for support. MAST and CUPE formally and informally, through meetings and otherwise, had discussed harmonization and wage gaps that there are in the province. Recently, we have not received any requests, whether it be Prairie Rose or any other school division, whether it was amalgamated or not.

* (10:20)

With regard to Prairie Rose School Division, they have a conciliation officer, I believe, assigned to them from the Department of Labour, to work with the parties, to try to get them together and work together. That, I understand, broke off last Thursday, and they have been on strike now for four days, officially, I understand. But Prairie Rose has not gone to mediation. They have not tried to use that approach. As I mentioned, talks broke off, and mediation is available to both of those parties.

So there you have a difference, where you have Sunrise School Division writing a letter,

wanting to meet, asking for assistance and wanting us to participate and to assist them, and then you have Louis Riel, who was able to sit down and bargain in good faith and come up with a collective agreement without asking, at least, again, to the best of my knowledge, any assistance from the department to help them out.

Just to answer the member's question, to the best of my knowledge and to the best of the knowledge of the staff that are with me, we have not received any requests thus far from anyone wanting assistance, financially or otherwise.

Mr. Derkach: Mr. Chair, has the minister received a request from any of the other amalgamated school divisions asking him for a meeting to discuss the issue of harmonization of salaries?

Mr. Lemieux: So far I have met with a number of amalgamated divisions, as I mentioned yesterday. Within those discussions, harmonization has come up. The amalgamated divisions have stated in just broad terms, no specific numbers, that is an area of concern. When I met with MAST, with the parent organization, they have said that this is an area, not only French language services and a number of different areas, that they can see as a challenge for them, but they mentioned that salaries are a real concern. There are ones, whether it is Southwest Horizon or Park West, where it is rural school divisions amalgamating with each other. Some of them do not have a large discrepancy in their salaries, the non-teaching staff. So to the best of our knowledge we do not have a request from any division that is pending, as far as we know, asking for a meeting to discuss harmonizing salaries or dealing specifically with that issue.

Mr. Derkach: Mr. Chair, I want to put this in perspective. The minister has said that he has met with several of the amalgamated school divisions to discuss harmonization and other issues. In this case, and I have the letter in front of me from Sunrise School Division, the division indicates that there is a significant discrepancy in terms of the wages of non-teaching personnel, but there is no reference here in this letter or anywhere that I can see that asks for financial support. The division simply is writing to ask for a meeting.

The minister uses this letter to justify his flow of money to the division. We are not saying that the division should not receive the money. What we are looking at is the process of how this was all managed. So the division writes a letter to the minister, asks for a meeting. The minister indicated to us in Estimates that he did not meet with the school division during that period of time, but that he did meet with CUPE representatives. On that basis, we are left with the impression that somebody from the department had to ascertain that \$428,000 was required to meet the needs of the school division and CUPE in order to arrive at a settlement.

Can I ask the minister whether he would give us the name of the Labour Relations person or the people within his department who met with CUPE and with the school board to identify exactly how much money was required to settle this salary dispute?

Mr. Lemieux: Just making reference to the letter, once again, it came from the board chair. As I mentioned, CUPE and MAST, in particular MAST, have raised this concern about wage harmonization and the concern they have had over it and have brought that to my attention. Their officials have met with me in person and at other events have talked about this.

In the letter from the superintendent and the board chair, it talks about we would like to enter into discussions relating to the wages. So what they are talking about is that they know that there is a huge gap there and that there was a problem. There is a problem with the gap that they had and the gap they were trying to fill, and they felt that they were certainly not able to do that and fill that gap.

* (10:30)

Now, as I mentioned, there are departmental people within government. Government people were in conversation with MAST. When MAST and CUPE were asked whether or not they were prepared to go to mediation, they agreed to go to mediation. They agreed to go to mediation, but then when you had government staff talking to MAST and MAST officials, they asked for a meeting to discuss some of the challenges they had. They agreed to go to mediation, both parties

agreed to go to mediation, and they talked about the wage disparity. Sunrise School Division representatives identified the wage disparity issue at that time and talked about the challenge it posed for them. So mediation commenced. When that meeting took place, you have MAST talking to government staff that they were able to identify the sums of money that were necessary, where the gap was, where Sunrise School Division was only able to cover two-thirds of the wage disparity.

So, when the member asks, you know, where did that come from, that is where it came from. It came from MAST. MAST informed and told government that that was the problem. They could only cover, the school division could only cover two-thirds of the cost.

So, when MAST told a government official this then, that really posed a challenge, because then you realize with this huge gap in salaries the invitation to participate and to be involved—we told amalgamated divisions that throughout this process we would work with them on all the challenges that they faced, not only financial, but otherwise. So we were in a position to try to assist them.

What we did was we certainly took a look at all of our options and felt that hearing this from the MAST representative and the members of the negotiating team talking to our government official that this was something that we had to seriously consider. We did so. As I mentioned yesterday, I went to Treasury Board with a document, a Treasury Board submission. That is essentially how the process worked.

So we were very pleased to be able to work with MAST. What we did was we concluded that. Mediation commenced and then the parties were able to conclude a tentative agreement, and the strike ended and the parties returned to work.

I guess the question I ask the member is that I guess he would not like to see that money. The member from Springfield would not like to have seen that money or that strike settled. That is regrettable, because the children were out, the strike was, you know, beginning to escalate. I know the chair of the board was cleaning toilets in the schools. It is regrettable that they do not

see fit to see that labour dispute rectified and ended.

Mr. Derkach: Well, Mr. Chair, I do not know what the minister has just said. He is making the inference that we did not want to see the strike settled. I just indicated to the minister in my previous comments that I am not questioning the money that has flowed to the Sunrise School Division in terms of the need, but, Mr. Chair, we have another school division that is on strike right now. We have bus drivers that are not working. Children are not in school.

The minister has said that he was concerned about children not being in school, about the strike going on. We have the very same situation today in Carman, where children are not in school, bus drivers are on strike. So is he saying that he is going to, on an ad hoc basis, intervene to make sure the children are back in the classroom and the strike is settled?

Mr. Chair, he has also indicated to us that it was MAST that asked for the assistance. Now, I do not know, the salary dispute is between the school division and CUPE, and MAST is there as an agent to assist, perhaps, their member, who is the school division. But certainly MAST is not directly the negotiating partner in that dispute. They are there as an assistant to the school division.

Now, Mr. Chair, the minister also indicated that government staff were talking to MAST and they were talking to the school division. Now, can the minister tell me: Was it his Assistant Deputy Minister of Finance who was talking to the school division and MAST? Was it somebody from outside his department? Can the minister identify who, in fact, from his department was doing the direct consultation with the school division and with the parties that were involved in the labour dispute?

Mr. Lemieux: Thank you for the question. The member asked two or three questions. I would like to try to start, I think, with the first one where he asked about the Prairie Rose dispute.

Prairie Rose dispute is somewhat different than the Sunrise. I will tell you how it is different. It is different because Prairie Rose

School Division has a conciliation officer appointed to them. They have chosen to break that off and to go on strike. The parties, of course, have their differences. Prairie Rose has not gone to mediation, whereas Sunrise went to mediation. They went to mediation, they asked for assistance, they wrote a letter asking for assistance and then they went to mediation.

The March 24 letter from the chair of the Sunrise School Division saying we would like to enter into a discussion relating to disparity and wages and so on, and that particular letter—

Mr. Chairperson: Point of order?

Point of Order

Mr. Chairperson: Member for Russell, on a point of order.

Mr. Derkach: Yes, I just want to correct the minister because he said that they had gone into mediation, and then the school division wrote the letter. The letter was written on March 24 asking for a meeting. I would just like to ask the minister to give us a chronological order of events.

Mr. Chairperson: On the same point of order? *[interjection]*

There is no point of order. It is a dispute of the facts.

* * *

Mr. Lemieux: I thank the member for that. Yes, the letter was written to me on March 24, and then they entered into mediation on, I believe, around April 10. He is correct. No, I did not mean to reverse them, that they went to mediation and then the letter came.

I want to just comment on the difference between the situations. I mentioned about the Prairie Rose dispute. Prairie Rose have available to them mediation through the labour relations area of the Department of Labour and Immigration. I am not telling them they have to go to mediation, but I am saying if they are at loggerheads and they just cannot see their way through a number of issues, that mediation is

there for that particular purpose. Sunrise went to mediation.

Nor have I received a letter from Prairie Rose School Division at all. The point I am trying to make here is that we said that we would work with every school division in the province bar none and the amalgamated divisions after the amalgamation took place, that we would continue working with them. We would work with them on a lot of issues, not just issues related to the fiscal side or the financial side. There were assets, for example. There are a lot of assets, and I know the member from Russell is very much aware of assets that have to be shared between Birdtail and Pelly Trail. Those assets, they are still in discussions in Park West about what happens to certain assets. The department is there to help. We had government-provided staff to assist them in this role.

We continue to work with the divisions. We know that there are going to be some challenges ahead. We will continue to work with them as well. Hopefully, we will be able to resolve them. There is a big difference between a Prairie Rose dispute and a Sunrise dispute, as there is with Louis Riel. The challenge for government, as I see it, is that you have some divisions that are able to, with the monies we provided, the \$50 per head or whatever it is, they are able to deal with their wage differences and the challenges they have got, whether it is pension or otherwise.

It is a real challenge for government because you have such a difference in salaries across the board, but also differences with divisions able to deal with the financial pressures that they have. Some are able to and some are not able to.

Mr. Derkach: I do not want to prolong the debate, Mr. Chair, just to ask one more time for the minister to identify the individuals that were involved directly with Sunrise School Division and CUPE in this dispute.

He says that government officials met with MAST, they met with the school division. He did not meet with the school division. He has not been able to identify who from his department met with the school division and with the CUPE administration or representatives.

I have asked now three times if the minister could identify the individual or individuals who

in fact met to establish that this was the amount of money that was going to be required to settle the dispute. Someone had to go out to meet with the board; someone had to meet with either MAST or with CUPE to bring those numbers together. The Treasury Board submission, and that is the other thing that I want to ask the minister is the date of the Treasury Board submission. When did the minister go to the Treasury Board with that submission? Was it after the 10th? Before the 10th?

I know that that documentation is available, and I would ask the minister to share it with us when he went to Treasury Board with his submission for the money. Prior to that submission, somebody had to meet with the school board and with CUPE. I am asking the minister to identify who from his department or who from government met with the board and with CUPE representatives to establish the amount of money that was going to be required to settle the dispute.

Mr. Lemieux: Mr. Chairperson, I thank the member for the question. The amount, as I mentioned, the amount of money that was identified that was the real gap, the people who identified that was a superintendent, a Mr. Bell, a couple of representatives—

* (10:40)

An Honourable Member: Bell?

Mr. Lemieux: I believe, that is—*[interjection]* He was part of the negotiating team, as well as a couple of representatives off the negotiating team. I cannot remember the person.

A superintendent, a couple of people off the negotiating team and a person at a high level with MAST met with the government official and told the government official that it was very important. It was MAST's role, of course, as part of that team. It was very important that, because of the huge gap, they were only able to cover approximately two-thirds of their costs. Of course, this came back to our department and then we had to give some serious consideration to this.

The staff that represented government were from the Labour Relations—Compensation area.

They received a call from, I do not have to use the gentleman's name, but he is from MAST and he called asking for a meeting to discuss the specifics about what the dilemma was to resolve the labour dispute. Both parties had agreed to mediation, the mediation commenced and then the parties were able to get together and conclude a tentative agreement and then the strike ended and the parties returned to work.

Again, the other part of it is that I just want to clarify that the member differs then from the member from Springfield (Mr. Schuler) about the monies going to, wanting the monies to flow to Sunrise School Division.

Mr. Derkach: Mr. Chair, the minister did not answer the question. I asked the date of the Treasury Board submission and who the official was.

Mr. Lemieux: Well, with due respect to the member from Russell, he asked me whether or not, who were the people that submitted to government how many dollars were needed.

It was a high-level person from MAST and part of the negotiating team, a couple of representatives from Sunrise, and I believe it was the superintendent as well. So there was a high-level person from MAST that was there, and they are ones who put their cards on the table and said: We are only able to cover a portion of the gap. They made a case on how important that was because they could only handle a certain part of the difference and so they came back to government. The person from the Labour Relations—Compensation area came back to government and expressed to government what the differences were and what the challenges were.

So I think I answered the member's question on he was saying: Who brought the amount of money to government, how much was needed or what was the gap, what was the problem, where was the difference in the dispute? As I mentioned, mediation got back together and the parties were asked would they be able to get back to mediation or to, yes mediation, and they did so. Then, of course, the parties concluded their tentative agreement and they went back to work.

Mrs. Heather Stefanson (Tuxedo): Mr. Chairperson, again, we are just trying to gather some information here. The minister had just mentioned this negotiating team and he had mentioned that there was a government official as a part of that process. We are just wondering who that government official is.

Mr. Lemieux: Just to clarify, when a call came to government asking for a government official to be involved, to participate, the negotiating team was made up of the superintendent, two other people from the division and the MAST rep. The MAST rep is the person who called the government official from the Labour Relations area and they were the ones who expressed to the gap and what they were really talking about in dollars to our government-appointed representative.

Sorry. Yes, and the point I was going to make, I thank the member for the question, from Tuxedo, that government never participated in the negotiations. The government official was informed about what the gap was, and that is where that sum of money came from and that came back to government. Thank you.

Mrs. Stefanson: Who is this government official that the minister is referring to?

Mr. Chairperson: Excuse me. I will give the floor to the Member for Tuxedo for a moment.

Mrs. Stefanson: Mr. Chair, I am just not sure if the minister heard my question, because I do not think he should need to speak to staff about this particular one. He is referring to this government official. I am just asking who this government official is that he is referring to.

Mr. Lemieux: It is a gentleman from the Labour Relations–Compensation area. I do not know if the member is asking for a specific name or not. I can confirm who that is. I can confirm who the person was or whether–

Mrs. Stefanson: The minister is referring to this government official throughout all of these conversations we are having. I will ask the minister again if he can find out who that official is, please, and let us know for this committee.

* (10:50)

Mr. Lemieux: Thank you for the question. I will certainly look to see who that was. I just want to reiterate that the person was called by the superintendent and a high-level person at MAST. The name, sorry, escapes me. I should know the person, but I do not know his name at the moment, and two people off the negotiating committee. I cannot remember his name but off the representative from MAST.

Again, there was a representative from MAST, from the parent organization, there was the superintendent and two people off the negotiating team, which made up the negotiating team for the school division. They agreed to go to mediation and they were the ones who expressed the amount of money that was necessary they felt, at least, to bring back to government, to notify government of what the gap was and how much they could cover themselves.

Mrs. Stefanson: I wonder if the minister could tell us what the date of the Treasury Board submission was. Could the minister please inform us what the date was of the Treasury Board submission?

Mr. Lemieux: I just asked my department to find out who the person was from the Labour Relations area. It is a Mr. Schreyer. He was the person who was contacted.

The Treasury Board submission went in near the beginning of June. The submission I signed was June 18. It does take time for Treasury Board submissions to go in. So I thank the members for the question. To reiterate, the employer group certainly wanted to go back to mediation, along with the union. Again the strike was concluded in a satisfactory way.

It raises the whole question about the dispute that took place and is taking place in Prairie Rose. Prairie Rose is a school division that differs somewhat from Sunrise in the sense that they have not entered into mediation. They have not pursued all their areas that are possible to them, so we wait to hear and I would advise that they do so.

Mrs. Stefanson: Just for clarification here, there was a Treasury Board submission made on June 18. Just waiting, could we—

Mr. Chairperson: If the Member for Tuxedo can just wait a few moments until the minister has completed conferring with the authorities.

Mrs. Stefanson: Just to clarify, Mr. Chair, the minister has just said that the Treasury Board submission was made on June 18 for a dispute that was settled on April 17?

Mr. Lemieux: I thank the member for the question. We are certainly just trying to confirm the time the submission was signed and so on. When the Labour Relations staff came back to government informing government of the need and the gap that was there, identified by the negotiating team from Sunrise, they were certainly looking to government for approval of whether or not government was certainly willing to assist in any way to help Sunrise School Division.

They certainly raised that to us and they raised the whole issue about certainly other issues and other challenges they have had. As a government, we took a look at this particular issue, and within my department I identified where the money was found, and within support to schools and the school grants and operating area, the money was there.

In order to support this division that had this huge gap between anywhere from at least a 20% to 65% gap in salaries, the MAST representative as well as a couple of people from Sunrise and the superintendent on the negotiating team are the ones who identified how much money it was that they needed in order to harmonize salaries for their particular division.

Mrs. Stefanson: I am just wondering: How could the minister announce on April 19—and I know there was a *Free Press* article where the minister is quoted as saying we did set some money aside to help this division—a half million dollars of taxpayers' money to go to Sunrise School Division without Treasury Board approval?

Mr. Lemieux: Certainly, when we were asked as government whether or not the intention was

to support this gap that was there that was identified by the superintendent and a high-level person from MAST, we signaled our intention to support this.

There is a process that has to be followed. The money was identified where the money would come from, and there had to be a process to go through to access those dollars, and Sunrise School Division was very much aware of that. They were certainly notified of that, that there had to be a process to be followed in order to get confirmation from those dollars.

We identified where there was money in order to assist this division that had such a huge gap and indeed we told the division that, yes, we were going to be very supportive of them but the proper procedure had to be followed.

Mrs. Bonnie Mitchelson (River East): I guess I would like to ask the minister: Who in his department did the analysis of the request and made the recommendation on the \$428,000 commitment? What analysis was done before the 19th of April, and by whom in his department?

* (11:00)

Mr. Lemieux: Yes, I have been advised that the Labour Relations people certainly looked at all the options and the analysis was looked at by them, dealing with and working with MAST and the negotiating team of the Sunrise School Division.

Mrs. Mitchelson: So the minister is telling me then that the Labour Relations Division or secretariat made the decision working with Sunrise.

But the question is: Who worked with his department officials? Obviously, when you are looking at a significant amount of money like \$428,000, almost half a million dollars, out of the minister's own department, and this is taxpayers' dollars, who in the Department of Education, in his department, was involved in the analysis of the amount of money that was approved for Sunrise? Or is the minister telling me that the Labour Relations secretariat makes those decisions on behalf of his department? Was anyone from his department involved?

Mr. Lemieux: As I mentioned, the Labour Relations people who provided that analysis to the department, we accepted that. They were working with a negotiating team. They worked with individuals there from the division. We knew what the gap was, 20 percent to 60 percent approximately. It varied depending on who the employees were.

That analysis was done from the labour people who were working closely with the Sunrise people. They provided that to our department, the analysis. We certainly were able to identify the area where the funds were available and will continue to work with school divisions throughout the province.

You have not only, as I mentioned, Sunrise, but you have Prairie Rose, also a school division who is currently out on strike now. That particular division has not gone to mediation but also has not requested in writing or verbally any assistance that is necessary at this point. We would ask them to go through the steps and follow the steps that are available to them through the Department of Labour, and we would expect that that would take place prior to asking us for any involvement or assistance. Certainly, that is up to them. Hopefully, they will resume negotiations shortly and the children will be able to get back to school.

Mrs. Mitchelson: Mr. Chair, I would like to ask the minister, and I think what he is telling me is that the Labour Relations secretariat recommended to the Department of Education that they find \$428,000.

My question would be: Did his department or anyone in the financial side of his department look at the recommendation that came from the Labour Relations secretariat, and did they do the financial analysis and recommend to the minister that he could announce that without Treasury Board approval?

Mr. Lemieux: As I mentioned, staff from the Labour Relations—Compensation area are working closely with the Sunrise School Division. That is where, as I mentioned before, those numbers were identified coming out of that negotiating team in meeting with and supplying information why that was necessary and working

with the government staff person. So government made a commitment to be of assistance to that school division and certainly were there. We were of assistance to that school division.

* (11:10)

Now the school division, we are very much aware that even though the money is identified and there was money to be able to go to the division that there was a step of course to go to Treasury Board and to get approval from Treasury Board with regard to getting the formal approval. They understood that, but my understanding, government, whether it was the government of the Conservative Party in the 1990s, governments make commitments with regard to assistance to help people. When the information was passed on from staff, government staff that worked with MAST and that negotiating team, that information was brought back. So we were able to certainly find the finances from within the Department of Education. We were able to confirm that.

Mrs. Mitchelson: Was the Minister of Education directly involved with discussions with the person from the Labour Board secretariat in the amount of money that was required from his department, as identified by the Labour Relations secretariat? Was the minister directly involved in discussions with the Labour Board secretariat?

Mr. Lemieux: Mr. Chairperson, just wanting to touch on a couple of things. One, again the letter that came from the Sunrise School Division to government asking government to be involved. I am sure now members opposite certainly agree that an invitation was made, they let us know what the discrepancy was and they let us know that there was that 15% to 60% disparity and the huge amount that they would have to tackle as a school division.

We provided them with \$50 per student in order to assist them. What happened was that particular amount amounted to, I think it is, I stand to be corrected, but I believe it is around \$130,000 for the division. Some divisions receive 700-and-so thousands. I am just trying to clarify what that amount is. Sunrise School

Division received \$246,255. That amount, obviously, was not enough for them to narrow the gap and they did not have the finances to narrow the gap.

You have other divisions like Louis Riel, for example, that received \$742,401, and they were able to settle their agreement without asking or having any kind of disruption to their school division. Those dollars that funded, that \$50 per student, obviously for some school divisions, appears to be enough. Other school divisions have a gap. When the Sunrise School Division asked me and asked government, would we like to enter into a discussion relating to the disparity, that they wanted to talk about this huge gap that they had, we knew from the get-go that they would have a great deal of difficulty.

I am sure that members opposite do not begrudge that amount of money going to the school division. I do not know if that is a question whether or not they do not want that money to go there or currently do not want the money to go there. We certainly made a commitment to Sunrise that we would follow through with it, even though the money certainly had to go through the proper steps to get confirmation that it was there.

We certainly want to work with Prairie Rose or any other school division in the province of Manitoba. We have made it quite clear, I believe to all divisions, that we expect the money to go back into the classroom. You have got a number of school divisions that are around the province that have cut back. For example, three school division offices, three superintendents and now they have one. I think most of Manitobans would understand the basics of that about the savings that are involved through amalgamation. Those savings would go back to the classroom.

We are not just talking about the financial savings. We never just wanted to just talk about that. I know we are talking about the financial end right now of one particular school division. The members opposite wanted to just zero in on one school division, and I am trying to tell them that the challenge is slightly greater than that. Government has a difficulty because when you have Louis Riel and then you have Sunrise, two divisions that one rule, one city and they are

amalgamated, one is able to take care of their negotiations by themselves without talking to government per se and asking for assistance.

The goals of amalgamation overall, and I think it is important that we put it on the record because we are talking about amalgamation here. We are not discussing and members opposite raised the benefits of amalgamation.

* (11:20)

Essentially, there were a number of themes to the goals of amalgamation: Modernization—most divisional boundaries were created when transportation communications were much more difficult in the late fifties and sixties. The idea about efficient and responsible use of resources to assure the parents and taxpayers that the funding for schools was being used effectively and efficiently. We know that there were a number of efficiencies, whether it is bulk buying and so on that divisions have made use of. The financial viability to ensure long-term financial viability of divisions. Some divisions such as Duck Mountain were struggling to exist with a very low assessment base. All of that, whether it is depopulation, lower students, these are the real challenges that amalgamation was to address. You have low enrolment, which I have mentioned before is to ensure that divisions have an enrolment base that is sufficient to support and to ensure access to good quality programming and, as well, quality educational and clinical resources. A lot of divisions from around the province were expressing and had expressed through the 1990s, even up to Norrie and when the Norrie report came out, and the Norrie report dealt with a couple of different areas which I will touch on a little later—but the balanced and moderate approach to amalgamation was key for us as a government.

We felt all along to balance the need for larger, more viable divisions in certain areas and the need to respect local autonomy and have regard for distances travelled by students in rural areas and so on. What we are talking about is trying to get a more balanced approach to education and better services all around. There may be other divisions that would benefit by amalgamation, but I have mentioned before, however, that the above changes also strike a

balance between action on amalgamation and the capacity of the department and the divisions to achieve amalgamations with a minimum of disruption to the system.

So amalgamations in all likelihood, as I have mentioned, probably will take place down the road, but the problem with it is that amalgamation would not happen in a government-directed amalgamation. I believe that amalgamations will voluntarily amalgamate because of all the reasons I mentioned previously, and I think a lot of divisions realize that amalgamations will modernize Manitoba's education system and yield long-term benefits to children.

A lot of divisions right now that have declining enrolments are looking at what they can do and the challenge for a government in years to come, whether it is four years, eight years, twelve years down the road, is they will be faced with these challenges because divisions, many of them, are already discussing informally amongst themselves what they can do about declining enrolment and so on. The idea for our Government, anyway, to create opportunities for children by freeing up resources to go back into the classroom to support education was a key one.

The previous Minister of Education mentioned this. He said that one of the main reasons that those efficiencies and what those efficiencies would bring to the amalgamation system or process would benefit children in the classroom. The idea behind those efficiencies was if there were any funds found by reducing three superintendents down to one, those dollars would go into the classroom from the division and not be a savings per se because they would be going back into the classroom.

So you take a look at the reduction of administrative and duplication of costs, reduces the number of trustees over a hundred, focus resources into the classroom for the benefit of children, and essentially our plan was to have a balanced and moderate approach that would not create undue disruption within the system. And I think we have achieved that so far. We still have some way to go in different areas but essentially we have achieved that. We are looking certainly

at more balanced equalization of resources between divisions as a result.

We have heard already in River East Transcona where they have been talking about how Transcona was not as technological as River East. So what they are trying to do is trying to address that.

I know that we are going to be seeing more of that across Manitoba and seeing whether or not those types of efficiencies are really going to work or whether or not government has to sit down and have more discussions with the different divisions and to determine what that is.

A couple of further comments I would like to make just with regard to amalgamation so we are clear that amalgamation and the importance of it was that changing population enrolments in rural Manitoba have meant that a number of divisions have had a decrease in student numbers. Now we know that BSE has hit rural Manitoba more so than the urban areas.

We know that drought this summer has been horrendous. So what we are trying to do is we are trying to determine whether or not—I mean, as a government, you have the Minister of Agriculture (Ms. Wowchuk) and others who are working extremely hard, and the Premier, to not only make sure that the border is open, but also trying to ensure the long-term viability of farms and agriculture in Manitoba. As a result, of one cow, one animal, in Alberta, you have the border being shut down. As a result, you have this impact that has been placed onto the farming community of Manitoba.

Those people that are involved in agriculture, I spoke to a person last night that talked about how fortunate they are to have a mixed-farming operation and that the crops for them are certainly a way better than average yield for them, so they are going to be okay.

Many others are talking about would they actually be transferring their farms to their children. There is some hope and light at the end of the tunnel that there is a light at the end of the tunnel for them and there is some hope for agriculture and the beef industry in the province.

But, again, the impacts are felt in rural Manitoba, and the spinoffs that people often talk

about, all the jobs in communities within Manitoba and throughout the province, have a real impact on the rural community. With the combination of education, you have health care, family services, a lot of the larger departments, you are trying to determine where dollars would best be spent. It is a real challenge for any government because of the challenges we have had.

We have had forest fires, drought, and BSE this summer. Just those three alone and the combination of that triple whammo in the province of Manitoba is unbelievable. I am trying to think back to when the previous government would have ever had that triple whammo. They had the flood in '97, which was terrible for any government and for the province of Manitoba overall. We had not seen a flood like that in a number of years and the Government was certainly hard pressed to try to deal with that, but when you have a triple whammy where you have forest fires, BSE and drought happening this past summer it is something that certainly has to be noted, because we as a government have to deal with that.

* (11:30)

You have to deal with amalgamation and you have to deal with the positive side of the amalgamation but the challenges that are there as well. We feel that as a government we have been able to deal with that in a satisfactory way.

I know the members opposite asked about the process. I know that governments make commitments before formalized approval processes are completed on occasion. Informal approval is secured in a variety of ways. The formalized approval was completed before any expenditures were made. That is important to note. Certainly Sunrise received a cheque from us but they received a cheque only after formalized approval was completed, before any expenditure was made.

Again to make that point, there is a process in place. Sunrise was very much aware of that process and they were very pleased that we as a government stepped up to the table to take a look at this huge gap in wages and the challenges they faced.

I might add that the previous government, these wage discrepancies have been around for a while. We hear anecdotally that—you have a lot of divisions, whether they be in rural Manitoba, northern Manitoba or urban—there is certainly a varying scale of varying wages, depending on the division and depending on their circumstances.

It is a huge challenge because when you are talking about harmonizing salaries many things go into that. When you have a negotiating committee from Sunrise, representatives of Sunrise, participating with an official from MAST and their superintendent coming to government to say, look, this is a reality, this is a gap that we have, providing information of why they cannot meet that gap and then the recommendation coming back to government.

It is important that we had to deal with that because, a strike, the children were out as I mentioned. You had the board chair cleaning toilets and people doing all kinds of work within the school system. You had the mechanics and the bus drivers were out. Then you had the secretarial, the teachers' assistants I believe and the secretarial component also going out. The Sunrise School Division's negotiating team as well as MAST, an official from MAST, as well as the superintendent made a strong case to government about the need to participate.

Mrs. Mitchelson: I have a very simple direct question to the minister. I am not sure he should have to consult with his staff to answer this question. Did he direct his department to find the \$428,000 for Sunrise School Division?

Mr. Lemieux: Just to clarify one point, it was \$112,000 for this year that was necessary for the first year.

Mrs. Mitchelson: Did the minister direct his department to find the money for Sunrise School Division?

Mr. Selinger: We certainly are looking at options and I asked the department to look at options that were available to us.

Mrs. Mitchelson: Under whose advice did the minister then ask his department to find options?

Point of Order

Mr. Chairperson: Point of order. The Member for River East, on a point of order.

Mrs. Mitchelson: Mr. Chairperson, on a point of order. I asked a very direct question to the minister about how the information was communicated to his department. Now he has spent over three minutes, and I have timed it, asking his officials for advice. I think he is putting them in a pretty uncomfortable position when he is asking them to provide answers on how he gave direction to them.

The question was very straightforward. It was to the Minister of Education. The question again was: Who did he discuss the money that was to go to Sunrise School Division with before he directed his department. His department does not have the answer to the question.

Mr. Chairperson, this is about ministerial responsibility and accountability. I feel badly for the bureaucrats in the Department of Education who are having to try to answer or give advice to the minister.

The question is directly to the minister. I would hope that rather than the stall tactics that he is using he would be accountable and he would answer the question directly and take responsibility for his department and his actions.

Mr. Chairperson: On the same point of order, the Member for Dauphin-Roblin.

Mr. Stan Struthers (Dauphin-Roblin): Mr. Chairperson, on the same so-called point of order, I find it interesting that the Member for River East and other members across the way have over and over and over in these Estimates demanded better answers from the minister. They have questioned the minister's truthfulness. They have questioned the minister's answers time and time again.

I would think that the Member for River East (Mrs. Mitchelson) would want to give the minister the opportunity to consult with people, to consult with the people in his staff who can advise him on these issues. Quite frankly, the minister should be encouraged to consult with whoever he needs to to make sure that the

members opposite are served in the best way to get the information that they asked for.

I think it is absolutely incredible that the Member for River East would, on one hand, demand that the minister gives good answers and, on the other hand, try to score some political points by suggesting that the minister is putting his staff in a tough position. The minister has very credible—*[interjection]* I think that the Member for River East may not want an answer to this. She does not want to hear from the minister, who is advised by his staff. She does not want me to be making the case against her point of order, which I submit is not a point of order. It is hardly even a dispute over the facts.

I think it is the frustration being expressed by the Member for River East because the minister is getting good information forward and is not maybe providing the ammunition that the Member for River East may want to hear.

I would advise, Mr. Chairperson, that this is not even so far removed, it is not even close to being a point of order. It is just an expression of frustration on the behalf of the Member for River East. Thank you.

*(11:40)

Mr. Chairperson: I thank the Member for Dauphin-Roblin. Thanks for your contribution. The length of time the minister has used to consult his staff might be a point, but not a point of order. Therefore, I rule it is not a point of order, and we should not use a point of order to ask a question, dispute the accuracy of facts or clarify remarks or raise a further point of order. I thank you for that.

* * *

Mr. Chairperson: We will continue.

Mr. Lemieux: Mr. Chairperson, I appreciate some of the points that are being made. I just want to make sure the answers I am giving to the members of the Opposition are accurate, to the best of my knowledge, which I have been advised are accurate.

I just want to say to the Opposition. They ask questions; they may not like the answers they are receiving because it does not suit their question. They are certainly entitled to ask whatever question they want. It may not be the

answer they are looking for and that is too bad, but that is not the circumstances.

I went through the process of informing them and telling them about, not only that government has a role to play with regard to acting in the public interest in labour disputes, especially where there is a possibility of a strike action, but also Labour Relations, as a mandate to monitor labour issues throughout the province and act in the public interest. So Labour Relations also, at the request of parties, can facilitate mediation and conciliation services and through that process become engaged with the parties involved.

When we passed amalgamation legislation, we assured the school divisions we would work with them through the process on wage disparity and other issues. On March 24 we received a letter from the chair of the Sunrise School Division who wrote me expressing concerns about the disparity in wages between the two divisions.

Then you have a strike that happened and then the government official from the Department of Finance who works in compensation asked both CUPE and Sunrise, a representative from MAST, the superintendent, two other reps, if they were prepared to go to mediation and they agreed. The Sunrise School Division representatives identified wage disparity issues and the amount required. That is where the dollar figure came from. They are the ones. The employer is saying where the gap was: Here is the gap. We can cover two-thirds of it. The other third we cannot cover. Here are the reasons for it. It is salary, and so on. They made a case why they were unable to do so and why they were unable to cover that gap.

You have a situation where both parties wanted to bet back to mediation and they did get back to mediation. They went to mediation. The mediation commenced and then the parties concluded their tentative agreement.

You have a situation that was resolved satisfactorily, yet the Opposition is jumping up and down and screaming about monies being flowed to the school division. Now they have said, oh, no, now they do not begrudge the

school division getting the money. They are saying, oh, no, that is not the case. We understand there is a huge wage difference there. That is not the point, they are saying. The money is fine. Give them the money.

As the Minister of Education, we are taking a look at other school divisions around the province of Manitoba that are being faced with these challenges, not only the amalgamated divisions but all divisions. Some divisions, you had someone express views. A person from the municipality said that, yes, they collected the money but they might not forward that money on to the school division. The reason for that was because of BSE or somehow it related to drought.

We know those elected officials have a responsibility and they know their responsibility as well. I know Garry Draper, the president of the Manitoba Association of School Trustees, commented that he felt and said repeatedly, I understand, that people know what their legal obligations are and that taxes have to be collected and that is how the system runs and that is how the education system functions. That is what makes Manitoba a very good province with regard to education and the quality of education our children are getting.

This fall the Opposition raised another issue with regard to taxation and taking tax off of land for education and the funding of education. The dilemma with that is that I do not believe they did their homework. They did an announcement at the beginning of an election campaign without having really thought it through, their question on what are they going to do about art, music and phys ed. They had a lot of troubles answering that. Where are the cutbacks going to happen? What are these school divisions going to do?

The challenges around Manitoba and throughout Manitoba are great with regard to financing education. We as a government provided last year around \$23.5 million, \$23.8 million to school divisions, about a 2.8% increase. We have always been able to fund the education system at a rate of economic growth. We are providing financial support to the divisions.

When it comes to collective agreements and collective agreements that are expiring, you have Prairie Rose School Division which right now is in a labour dispute. There is a strike going on. The difficulty there is that you have a division that I believe conciliation was involved. They certainly have mediation at their disposal. They have not used that yet. We have not received a letter like we did from Sunrise asking us to meet and discuss this wage discrepancy.

The dilemma is that, for us, we want to see the children back in the classroom. We want to see the employees back at work. We want to see them resolve their concerns in an amicable way because they have to work with each other and have to live in those same communities.

Overall, for the department, when you are looking at all the amalgamated divisions and you are looking at the other divisions and the challenges they maybe face, financially it is a real challenge for the department.

With regard to finances, as I mentioned to Sunrise, we were able to identify, I asked the department to look at the options, look at what we have with regard to options within our Budget. Staff advise me that looking at the school grants and operating grants area was an area where funding could be found, \$112,000 for this year.

As a government, I think we may have other challenges ahead of us. You have other divisions that have collective agreements expiring. We have discussions that are ongoing, but we are going to have more discussions with MAST, the Manitoba Association of School Trustees, to try to talk to them about what is down the road and what is going to happen with regard to collective agreements. We have consistently said that we are supportive of school divisions, we are supportive of amalgamated divisions. We will sit down and talk to them about all their issues. We will discuss, whether it is dealing with harmonizing salaries, whether it is dealing with pensions, whatever their challenges are.

* (11:50)

So, for us as a government, I think what we have done is we have been able to successfully, I

think, make the school divisions understand that we are willing to work with them and will attempt to do whatever we can. We will sit down with them. There are no guarantees as such what will take place, but we have to hear what they have to say about the challenges that they face, the dilemma being you have so many different divisions in Manitoba and different gaps—15 percent, I think it was, to 60 percent it stated in the letter.

You have Louis Riel School Division who were able to sit down and settle their differences, I have been advised, without writing a letter or contacting us as a department. You have Prairie Rose now, who has, I understand, a bit of a wage gap, up to about 20 percent I understand, not as great as Sunrise, but they feel that they have the capacity to deal with their own situation without writing a letter to government. They have not pursued mediation as yet. That is still an option for the union and for the employer.

We would want them to make sure that they look at all their options. We have always said that we are there. Where there would be issues around wage disparity we provided \$50 per student to assist in costs. Now this varies from division to division because it is based on per student, where that amount of money, that \$742,401 in Louis Riel appears to have been sufficient to get them through the hurdle of their negotiations. I am not privy to that; I have no idea what has transpired and nor should I, but you have other school divisions like Prairie Rose School Division, for example, which will receive \$40,000 for three years at \$120,426. Now that money has to help them with regard to harmonization, with regard to salaries and other things. Plus we have also given other breaks to school divisions trying to address possible declining enrolment and other areas.

I will not talk about strobe lights today on buses. I just want to make a comment quickly on that. It is interesting. I received a letter from the member from Springfield about bus safety about a week ago in wanting the department somehow to address bus safety because of the highway, I believe it was Highway 15, Dugald Road, was getting a tremendous amount of traffic. He reassured the parents and people he was writing on behalf of that bus safety was a key issue for

him, but yesterday attempted to raise a point of order somehow that strobe lights was not part of the discussion. All I was trying to make a point to him is that we are doing a lot for school divisions, and in that capacity, strobe lights and providing funding for strobe lights was just one area of safety. That is the only point I was trying to make.

I just want to get back to funding of school divisions and to talk about that. I will try to conclude my remarks as soon as I possibly can. These comments I am trying to get on the record, Mr. Chairperson, because when we are talking about amalgamated divisions and the amount of dollars the government funds and the disparity between different divisions, I am just trying to state to the Opposition and to others that in some cases there is a great divide. So, for us as a government and a department, we have been looking at that and looking at all the options about where do we go with regard to not only Prairie Rose, but there are other divisions that are going to be concluding their collective agreements. Some have already. Some are going to continue. They are not in a strike yet, but what we are hoping to certainly do is to be able to assist them in any way we can.

Now, there are many benefits with regard to amalgamation. I have stated that repeatedly. Members opposite may dispute that. I mentioned yes, a lot of their questions are being asked, I guess there is no wrong question, but something I would point out to them is that the answer that they receive may not be the answer they want, but it is the answer. We have laid out today on how government received feedback and so on, on the wage disparity, on how MAST asked for a meeting to discuss and had this meeting with two people from Sunrise on a negotiating committee, their superintendent, and someone at a high level from MAST in their Winnipeg office on Provencher participated in that meeting and made a case why to go back to mediation that it was necessary that both parties go back to mediation. They were agreeable, but that money was the real key issue.

So I just want to reiterate that the letter inviting us and asking us to participate—then, you had discussions also with our people from staff from Labour Relations—Compensation area.

People were able to look at a package that might be able to work, but of course for us, as a government, the portion of dollars that we had to allocate or look at, \$112,000, we looked at the Support to Schools area and primarily the Schools Grants or operating grants area. Then I asked the department to look at options. We are continuing to look at options because of the finances that may be needed. We cannot say for certain, because some divisions are asking for assistance and others are not.

So I would just say, Mr. Chairperson, that a lot of these issues are very, very important to put on record to show that what our Government has done, to be very supportive of amalgamated divisions, to make them work and to understand that there may be more support needed in days or years to come, but the Government will be there to help school divisions, not only financially, but any other way we can.

Mrs. Stefanson: The minister talked about the importance of following process and procedure in this whole issue. We have a situation here where the minister announced almost half a million dollars of taxpayers' money to settle a labour dispute in Sunrise School Division without Treasury Board approval. My question for the minister is: Does he feel that the appropriate process took place here?

Mr. Lemieux: The member is correct where I talked about Prairie Rose, where they have mediation available to them and through their dispute that they had conciliation. I understand that broke down last Thursday or so. Now, of course, they are out on strike and they have a process to follow. Mediation is certainly an open option to them. If they are at loggerheads I would hope that they would look at mediation and use that option to be able to sit down and discuss their challenges together.

Governments make commitments and have before the formalized approval process is completed. On occasion informal approval is secured in a variety of ways. The formalized approval was completed before any expenditure was made. I hope that answers the question for the member.

Mrs. Stefanson: So the minister feels that it is appropriate for the Government to promise half a

million dollars of taxpayers' money without Treasury Board approval two weeks prior to an election call when the Treasury Board approval did not come until after the election took place.

My question for the minister: What would have happened here if you had lost the election? Clearly this is a very serious issue. You made a promise here that you had no ability to keep in that event. So I would like the minister to answer that, please.

Mr. Lemieux: Well, once again, just to reiterate, I guess I am a little bit confused. I guess that this gets to the point where the Opposition truly is not supportive of this money going to Sunrise. We hear it here today that they are not supportive of that money going, because here they are saying that, should the results have changed, they would not have provided that money to Sunrise and that strike would continue to be going on and so—*[interjection]*

Mr. Chairperson is correct, I do not want to get too carried away, and I should not be putting words into members' mouths. I stand corrected. I really do. I apologize for that, but I just want to say that governments make commitments before the formalized approval process is completed on occasion. The informal approval is secured in a variety of ways, and the formalized approval was completed before any expenditure was made.

Mr. Chairperson: The time being twelve noon, I am interrupting the proceedings. The Committee of Supply will resume this sitting this afternoon following the conclusion of Routine Proceedings. Thank you.

TRANSPORTATION AND GOVERNMENT SERVICES

* (10:00)

Madam Chairperson (Bonnie Korzeniowski): Good morning. Will the Committee of Supply please come to order. This morning this section of the Committee of Supply meeting in Room 255 will continue with consideration of the Estimates with the Department of Transportation and Government Services. When the committee last met there had been agreement to have a global discussion in this department.

The minister has asked to respond to the last question of the day before.

Hon. Scott Smith (Minister of Transportation and Government Services): Thank you very much, Madam Chair.

I have a new critic out here today. The Member for Arthur-Virden (Mr. Maguire) had asked yesterday on hiring of a few people in the deputy chief's department. Just to answer the question, Wendy Van Loon was hired through the standard Civil Service competition process. Rob Marrese was appointed upon graduation from the management internship program.

The program is administered by the Civil Service Commission and staffed on a competition basis. It is an excellent program. We have seen a lot of people come in to the system through that program over the last five or six years and the program works quite well.

Mr. Ron Schuler (Springfield): I have a question for the minister. It relates to the intersection of highways 15 and 206. I will try to get my directions right. I believe it is on the southwest corner.

I had a meeting with the fire department of Springfield. What it is, they have one approach coming off of 206, which is a provincial highway. What they do is they pull off and they loop, they have to back into a station where they pump water into the fire truck.

What they did is that they approached the department to see if they could put a second culvert onto 206 to have a second approach. What they would do is take their fire trucks, pull up to the hydrant, loop around back onto 206 and go to the fire. What it would do is it would cut about four to five minutes off the time because what they have to do right now is that they have to back in. It makes it a little bit more difficult, especially when we are heading into the cold winter season.

Basically, what they have right now, it is not a public approach, so it is not really an approach as such. It is for emergency vehicles only. Because there are not fire hydrants in most of Dugald and the surrounding areas, I think they

were saying it is about a six-mile radius they are looking at. It covers Dugald and the surrounding area, about a six-mile radius. It is to supply water in case of a fire and in particular when it is in the wintertime where they cannot access any kind of a pool or a pond or anything.

They approached the minister's department, I think that would have been out of Steinbach, and they were turned down. They felt that was odd because the R.M. is willing to cover the cost. It is not a cost item to the department. The department felt they just did not want another approach on 206. They stated clearly it would be emergency vehicle access only. It is a loop that would take place.

Is it possible for the minister to look into this? They explained to me that this is very urgent. It is for emergency vehicles only, and it would be posted as such. They think this is something that should be done and they were surprised they had been turned down on it. Can the minister, would he be agreeable to look into it and see if this could be resolved?

This is not a cost item to the department. This would all be taken care of locally, but I think the minister, probably more than anybody here at this table, would understand the urgency of an issue of getting water to a fire in appropriate time.

* (10:10)

Mr. Smith: I would like to thank the Member for Springfield (Mr. Schuler) for raising the issue. Obviously, that is a concern for citizens in a community to have a quick response by their emergency vehicles.

The intersection itself in that area, I am sure the member knows the area well. Through that area is quite a busy intersection. Obviously, safety is a huge concern with the Province with the ingress and egress onto certain areas, certainly, around busy intersections.

Highways is heading toward a policy of trying to limit access obviously onto provincial trunk highways and onto roads and systems and looking at ways to eliminate the amount of approach and approach roads onto access in provincial highways.

The possibility of an internal road system could be developed possibly working with the municipality and working with the folks in the area. Safety is the No. 1 priority for all travelling Manitobans on a highway system. It is something we would, certainly, be willing to sit down with the community, have a look at, usually the best solution comes from the community on what is possible, knowing the area themselves. Certainly, we would be willing to sit down and have a good look at what is possible and what we can do to improve. As you mentioned, speed is what they are looking for, to be able to get in and get out very quickly. Maybe there is an approach we can take with safety in mind and working with the community to get that done.

Mr. Schuler: Just a little bit more information to the minister and his department: 206 going north is where the bulk of the traffic is carried; 206 heading south, that would then connect up to No. 1, does not carry nearly the same amount of traffic, because, if individuals are looking to access No. 1 coming from the city, they would then take the Perimeter. You have got a really nice highway. You connect up to No. 1, you have a turnpike, and you go east or west, however you want to go.

It is not 206 south that is the traffic. That is sort of where they are looking at putting something on. Again, it is not to add an approach onto the road. It is an emergency access only. There is one existing approach that exists already. They just want to finish the loop and just add an emergency access only.

It is not like we have fires out in Dugald on a regular basis. It is just in the event of a winter fire in particular that they have quick access on and off. Again, it would be a restricted access addition onto the highway.

Again, 206 from 15 going down to No. 1 does not carry the heavy load that you have from No. 15 going north. Again, I know it is always a concern. You do not want to have access onto the highway every half a kilometre or every 50 feet. I understand that. In this case, because it is an urgent matter and it is a matter of safety, I would ask the minister again, he has endeavoured to do that, if he would just look into it.

Mr. Smith: I would like to thank the member from Springfield for raising the issue. Certainly, it is something we would be more than willing to look at. I wonder if the member from Springfield could possibly supply the department details of who we would contact and how we could set up a meeting with those folks. If he could pass it on either later or give us some names today, we would be more than happy to look at it.

Mr. Schuler: You know what, I will do that right now. It is Dave Roy, Deputy Chief, 80 Willow East, Oakbank, Manitoba. Just for the record, that is "Oak Bank," two separate words. Canada Post has infuriated my community by putting those two together. Sensitive point. ROE 1J2. Telephone number I will give to the minister directly if you contact. I believe there was an official request made to the department which would have went to Steinbach, if I am correct. It should already be in the system, but, I think, they would appreciate if this could be done in a fairly timely fashion. Much appreciated.

Mr. Larry Maguire (Arthur-Virden): I appreciate the minister taking a couple of moments for my colleague from Springfield. There will be other members, as I said yesterday, coming in at various times for some questions and issues in their particular areas.

I would like to just follow up a little bit on the questioning that I was proceeding with yesterday. I thank the minister for his answer in regard to the process he was going through in regard to new staff. I wonder if he could just reconfirm his answer in regard to the process they went through for hiring, whether it was appointments or a competitive process.

Mr. Smith: Yes, just on the staff I mentioned yesterday, into the deputy's offices, Wendy Van Loon was the standard hiring process through the civil service. Then, again, as I mentioned, Rob Marrese was done through the management intern program. Those two people were done through those venues.

The other hirings are mainly done through a Civil Service competition process, but those specific ones we had talked about yesterday, that is the way they were done.

Mr. Maguire: If we can move on. Thank you, Mr. Minister.

I wonder if, as I have gone through the Estimates book here, Madam Chair, line by line, the supplementary, the minister could give me an indication of the total number of full-time employees that are in the department at this time.

Mr. Smith: Just for clarification for the Member for Arthur-Virden, are we looking just on the Transportation side, or are we looking at Transportation and Government Services?

Mr. Maguire: I would, certainly, like that collectively, but I would prefer it to be broken down by the departments: Transportation, Government Services, Emergency Measures.

*(10:20)

Mr. Smith: We will run through in total, when we look at the total for the Department of Transportation and Government Services, we have 2913.92 FTEs.

Starting with divisions and branches, on boards and committees, the Manitoba Transport and Highway Traffic boards, there are four FTEs; Licence Suspension Appeal Board and Medical Review Committee, three FTEs; Taxicab Board is nine FTEs.

When you get into Government Services programs, Accommodation Development, we have 44.38; Workshop and Renovations, we have 46.60; Physical Plant, we have 355.09; Property Services, there are 11; Security & Parking, 96.79; Procurement Services, 37.60; Government Air Services, there are 78, which gives a total breakdown in Government Services programs of 669.46.

We have, in the Emergency Measures Organization, 19. We get into Infrastructure Works Maintenance Program, we have 659.27. We have Mechanical Equipment Services of 196.50. Construction and upgrading of the provincial trunk highways, provincial roads related projects, we have 329.75 FTEs. Work and Municipalities LGDs, Unorganized Territory, we have 25 FTEs to that particular division.

In the divisions of Administration and Finance, we have executive support of 12. We have Administrative Services, 11. We have Financial Services, 23. Human Resources service, we have 26.75. Information Technology Services, we have 40; Occupational Safety, Health & Risk Management, 7; and in the Lieutenant-Governor's office, we have 3.50, for a total of 124.25.

In our highways and related programs we have Management Service of 10. Operations and Contracts, we have 44.5. Bridge and Structures, we have 37, Transportation Safety and Regulatory Services, we have 74.31.

Regional offices. In the eastern region, we have 50; southern region, we have 47; southwest region, we have 45; west-central region, we have 37; northern region, we have 30 and Other Jurisdictions, we have 14. Our Planning and Design, we have 29 FTEs; in Northern Airports and Marine Services, we have 77.73; Materials and Engineering, we have 38; Traffic Engineering, we have 26; Policy and Planning, we have 28.5; and, in our Driver and Vehicle Licencing, we have 296.65.

In Government Services, in total we have 688.46, and I believe now I will let the deputy minister give you the names of all these people we have.

Mr. Maguire: The minister is quite perceptive. That was my next question. I think we will spare him the detail of that.

Madam Chair, I wonder if the minister could give me any indication as to, now those are all full-time positions I understand, as to whether or not they are all full time or how many are part time.

Mr. Smith: Just for clarification, those positions are all full-time equivalent, so, obviously, during different seasonal times, you might have two people to fill a yearly overview of one FTE. But you might have more hirings in the summer season than you do throughout the year. Those positions are full-time equivalents.

Mr. Maguire: I guess my question to the minister is: Can he indicate to me whether the non-seasonal, I guess the regular full-time

positions are all full at this time? Are there vacancies in his department? I guess what I am looking for is the number of vacancies that he may have in the department at this time.

Mr. Smith: The vacancy rate right now in the department, if you take the two departments in Government Services in all FTEs that I read into the record, we are running about 180 vacant positions right now, 180.5. That is around 10% vacancy rate right now.

Mr. Maguire: Can the minister indicate to me how that compares with some of the more recent years? Does he feel that those are standard vacancy rates for his department?

Mr. Smith: Just a response to the member from Arthur-Virden. Normally, in most years, I guess, the average you could take is 7% to 8% vacancy, somewhere within that area. Right now it is a couple of percentages higher than an average year.

Mr. Maguire: Can the minister just outline for me what the variance would be or why the variance of a couple percentages more vacancies at this particular time?

Mr. Smith: The Province and the Government are managing their vacancies. Obviously, there are priorities in a lot of areas and, certainly, in the management of vacancy rates, other issues are adjusted with the Government's overall umbrella in funding. Certainly, the balance of managing expenditures in the Government is something that we take very seriously. It is something that has to be done in most all departments and this department is not exempt from that. It is an area where, as crises come up from time to time, I know the member is well aware of some of the issues that we are all faced with right now and some of the crises we are having in rural Manitoba. Basically, it is a management exercise that the Government is doing at this time.

Mr. Maguire: Certainly, Madam Chair, there are circumstances in which savings should be made in particular locations. I guess I could be facetious and say to the minister that it probably should not be on No. 8 highway after today's headlines. But there are a number of other issues

in the province as well that need to be looked at. Can the minister give me an example of the, I assume, savings in value that would be attained from that extra 2% or 3% vacancy rate?

* (10:30)

Mr. Smith: The member has mentioned Highway 8 which was in the paper. I had the opportunity to drive that highway about 10 days ago, two weeks ago. Although the highway has not had a lot of significant upgrading since 1990 when it had a sealcoat put on it at that time, the highway, in comparison to some of the other highways, certainly, I would suggest, is probably not one of the worst road systems in Manitoba, although it was indicated that it could have been.

I think the member from Virden will see that, as his colleagues come in, they will all have a road system or a particular area in the province that they pick over the other, but, certainly, it is done on priority.

As the member knows, we have seen a lot of work done in many parts of the province. With the increase in the capital budget, we had a record year last year in the amount of programs and work that has been done in the province. Highway 8, as he mentions, certainly is something that the department is well aware of. It is something that on a priority basis was not able to be put into programming for this year or next year, but it is, certainly, a concern. As the member knows, dollars that are taken in by the Province do go directly back into our road system with all revenues generated put into capital.

The 2020 Vision, certainly, in talking to people up in the area, had identified other systems and other roadways that, certainly, were a concern to them. It has been a great process. The member from Transcona, who had chaired that, had been up through that area and, certainly, heard from people up in that area that it was a concern.

As we move ahead with our 2020 Vision, we are identifying Manitoba's concerns and problems, not only on the road systems but on the marine and, certainly, on the rail that we have in the province. So there are a lot more

areas out there that, certainly, need to be addressed. As the member knows, when we get \$160 million or \$170 million in taxes, the federal tax is taken out and we get about 4 percent, 6 percent back from the federal government. That does not take anybody with a pen and a piece of paper long to realize that we should be getting more of that funding back. I think it is something that we have made a priority in addressing to the federal government. We need more money put into our infrastructure in Arthur-Virden and southwestern Manitoba and northern Manitoba. We have increased our budget considerably.

The surplus, salary surplus or gain we would have would be somewhere in the area of that percentage we had previously spoken about in the area of \$3 million to \$3.2 million.

Mr. Maguire: Madam Chair, I would at this time like to turn it over to my colleague from Turtle Mountain. He has a few questions, and we will come back to this.

An Honourable Member: I bet you have got a road worse than No. 8.

Mr. Maguire: I will make some comments on No. 8 at a later time.

Mr. Mervin Tweed (Turtle Mountain): Madam Chairperson, a couple of questions and a comment. I do not know if the minister is aware of it, but, with the almost completion of Highway 3 this fall, one of the concerns that is being brought to my attention by the trucking industry is the fact that Killarney has become an island. Trucks are unable to access because of the ratings on the roads surrounding them.

We have Highway 18 that runs south to No. 3. It is the connecting road to No. 3. There is no access for any heavy trucking into that community which has probably become one the trucking hubs of that part of the province with the huge growth of the hog industry and the feed mill industry and the three new grain terminals that have been built there in the last five years.

The request that I am getting from the trucking industry is: Will there be a completion of the connection on Highway 18 that joins No. 3 at Killarney and then on No. 3 to Cartwright?

That seems to be the stretch of road that makes it unable for the trucking industry to access the community. They are using secondary gravel roads and just destroying it. The municipality is starting to become agitated, the fact that their costs are being driven up.

I just wonder if the minister has any intention of declaring that six or seven miles of road that connects Highway 3 as RTAC-travellable, so that they can put the heavier trucks on it and if the minister has any plans on continuing the development of the completion of No. 3 which would include that strip of Highway No. 18?

Mr. Smith: I would like to thank the Member for Turtle Mountain (Mr. Tweed) for raising that question. I have spoken to a few municipal officials and folks from out in that area, and I know it has been a concern that has been raised obviously. The member had mentioned there is considerable work done out very close to Killarney and in the Killarney area with the high through-puts that we have out in that area and the lack of rail transportation that seems to be going out of the entire area of the southwest.

The road systems are the main access now, and the trucks are heavier and heavier and heavier. He is quite right that quite often what we are seeing is a lot of the trucks and the heavyweights going to the municipal roads, which is pounding, as the member mentioned, their roads down with, obviously, an increase in cost to the municipalities.

The work that was done on No. 3 right up to the intersection, up to 18, was, certainly, something that was positive for the area. It is not programmed right now, No. 18. As we mentioned before, the priorities in other areas, certainly, need to be addressed.

It is something we are well aware of. It is something that I have been aware of. It is something that, I think, we need to consider over the next few years to try to get it into programming and see what we can get for, certainly, some of the federal-provincial funding that has done so well and served the area well in that area.

It is something we are of aware of. As I mentioned to the member, it is, I know, a

priority for the area. It has been brought to my attention, and I know the member gets probably a lot of folks in the area, especially in the municipalities that are coming up with increased costs because their roads are getting beat up pretty bad in the area. Number 18 is a paved surface. It is a good road for travel for lighter vehicles, but it is something we have not got programmed right now. It is something that we are considering and looking at, and we would like to make the connection as soon as we can.

As I mentioned before, on some of the Prairie Grain Roads Program and things we have out there, I know the work that is in right now is, basically, the environmental assessments. In design considerations for it both on the junction of 18 south and the east-south connection on PTH 18, we are hoping to get that project moved ahead. As we can, we will try to get that in. It is, certainly, something I am quite interested in looking at.

* (10:40)

Mr. Tweed: While I appreciate the comments of the minister, I am wondering if the minister would be prepared to—I do not want to use the word intervene, I am sure that there is a better word. We still have the problem that the trucking industry cannot access the community. What they are asking for is if it is in the minister's plans in the next few years. Is he prepared to change the rating of that road so that trucks can actually access the community?

Mr. Smith: I am sure the member can well understand that if we did change the rating of the road, we would have terrible destruction on that road and some break up. What I will say to the member is: I will consider that as a priority for our department over this next two years and, certainly, try to access consideration through the Prairie Grain Roads to get that stretch of road done. I know it is an important piece to the Killarney community and an important piece to that area and it is one of the ones that I will look at very seriously.

Mr. Tweed: I thank the minister for those comments. Again, I would just advise him that, I think, the roads are already being run on with heavier weights and, I think, the continuing

deterioration of that stretch of highway is going to continue. In fact, not having ever been on No. 8 highway, I would say that stretch of road is already in such a state of disrepair that it is going to become a safety issue, sooner than later.

I would ask the minister to just maybe take another look and, I guess, see if we cannot move this process forward as quickly as possible. Again, the revenue that comes from that part of the province, I am guessing that a large part of it is because of the trucking industry. I am told that there are approximately 25 to 30 truck loads of feed going in and out of that area at this point in time. They are using secondary roads and they are destroying them. I suspect that the municipalities are soon going to be taking a harder stance on trying to prevent that traffic from travelling unless they can get some form of compensation for the destruction.

The other question that I have for the minister is Highway 23. Are there any plans to continue the upgrades? I know it had been started and was moving westward. A couple of years ago there was a severe condition on the road. We actually have a picture of a school bus that got stuck in the middle of the highway a couple of years ago during a wet season. I know the grades have been done on it; the shoulders have been done on it. I am just wondering if there are any plans in the minister's agenda for the continuing improvement of that highway.

Mr. Smith: The member, on No. 3 mentioned and, I believe, that he is probably talking about the extension going to the east in through Mather and heading out through Cartwright, that area, that direction. *[interjection]* Sorry for the confusion. From No. 18, I guess, through Ninette and into Belmont, up to Baldur, there is engineering work that is being done there. There will be spot improvements through that area, but there is nothing that is planned in the next foreseeable future in that area.

Mr. Tweed: Madam Chairperson, I thank the minister for the answers. I have one comment, and maybe the minister and his department would like to file it away and perhaps consider it in the future.

The minister talks about the reduction in rail line services. It is a problem and it is a big

concern. The suggestion that I have for the minister is to look at the rail line industry and determine or perhaps even suggest to the industry that those lines should not be torn up. I firmly believe at some point in time the light will go on, and we will go back to using the industry that is needed to move our goods east and west. I know the minister has no control over whether elevators open or close or where they decide to locate, but I think the minister could have some input in determining that rail lines should not be torn up for a period of time after they are abandoned.

The example I use is a rail line that was running north and south into the United States. A few years ago there was some interest in trying to re-establish that line only to find that it was torn up, salvaged and the huge expense of going back in there to rebuild it is not feasible. I do have a fear that if these lines are torn up, it will make it easier for the companies to continue to force provincial governments to increase their budgets on transportation highways without any form of compensation back to the provinces. I think the rail lines have done a disservice to our communities by allowing these things to be torn up. I would suggest if the minister can use his influence or flex his muscles, I think there should be a long waiting period. I am not even sure what the length should be to not allow these tracks to be torn up, with the future hope that they will be used for the purpose they were. That is to move the heavy goods east and west in our province and in our country.

* (10:50)

Mr. Smith: I thank the member from Turtle Mountain for his comments. That is something we can probably both agree on in principle. Rail lines, I think, when I look back, and the problem that was developed over the period of the last 15 or 20 years maybe, since deregulation, certainly, in the trucking industry, I think it has been a compounding effect, obviously, business practice and not something any one of us wants to interfere with on companies when they are making their business decisions. Certainly, we can have input on what we believe has impacts on public transportation and the rail line.

Up through that area of Elgin and in along that line, we have had reduction from 275

carloads to 55 or 59 carloads of grain through that area. Most of it, as the member well knows, knowing his area, does head by truck into the high throughputs and just seems to be a way of modern life for transportation.

The Member for Portage (Mr. Faurschou) well knows in his area it is happening, up by Arthur-Virden, the member that is here, as well. I think we have all seen that. Certainly, the amount of dollars needed to expend on highways for the upgrades now is incredibly expensive. We are not seeing a transfer, certainly in recognition anyway, from the federal government as our transportation system begins to change and, as the member mentions, rail services decommissioned by non-profitable lines, in a lot of cases, to the owner of the railways. We are seeing that expense on our highway system. We are seeing it in every corner of every piece of Manitoba from every member who is sitting around this table. I believe that it is part of the responsibility of the railways from the closure of the railways. They were built, certainly, for heavy haul and heavy loads, and did a good job.

Our highways were not built for anywhere near the weights that are running on the highways now, as we have the bigger B-trains and larger truck configurations that are out there—the weights. The average farm even now is having semis with the large-haul operations. I think it is, obviously—I do not think, I know it is a problem on the highways system. I know it is a cost to taxpayers and expense and dollars to taxpayers.

We are probably going in reverse. We have been, previous governments and our Government, in the funding that we are putting into highways. We have an infrastructure deficit in the province that is developing year after year after year after year. Certainly, we need dollars into that system to not only improve and have a system that we are proud of but to just keep it stable where it is now. Any new construction that we all want to see moving ahead, not just staying in one spot, is very difficult and pressing for the Government.

The member's comments on the railways, I think, are probably a very big piece in the

destruction of our highways right across the nation. Meeting with other ministers in other provinces, it is well recognized. It is something that needs to be taken ahead by all sides, all parties in the Government, to our federal counterparts to have them more inclusive in the game. I mentioned to the member previously that when we see our taxpayers' tax dollars, farmers and operators and just people driving their vehicles, giving our road taxes back into our highway system is not enough, we need a federal commitment into our highways system of more than 4 percent or 6 percent of the tax dollars that they are giving back to us.

We do need to improve our road systems. It is, certainly, a point well taken. I would agree with the member that railways have had a large impact on the destruction of our highways here in Manitoba. That, for a lack of a better term, is being passed on to the municipalities by using their roads and pounding their roads. I think we are in agreement on that. That is where 2020 Vision, I think, and I know was out in the member's area, had a lot of, certainly, rural people and farm operators, producers, mentioning that if we do not soon make the connections and more dollars into a lot of our systems, it is costing them money in operations in having to drive further distances and having to take different routes than the shortest route possible. I would agree with the member; the railways are an important piece of our system.

Mr. Peter Dyck (Pembina): My questions to the minister are specific to the city of Winkler. I am sure that is no surprise to you and specific to Highway No. 32. Just to refresh your memory on some of the numbers of vehicles, the traffic-counts, that are out there, back in 1999 there was a joint effort done, where the Province and the local, at that time, the Town of Winkler, did a traffic count on Highway 32. I just wanted to, again, put on the record, this was back in '99. Since then, we have had Lode-King. Again, Highway 32 leads into the industrial park. So, Madam Chair, Lode-King has basically doubled their production.

Meridian Industries has tripled their production. Consequently, the numbers that I will give you have increased dramatically since '99. But, from Highway 32 to Pembina there has

been—at that time the traffic count was 13 667 vehicles per day; 32 in Mountain was 12 075; 32 in Roblin was 10 729; 32 in Stanley was 11 917. With that addition there are about 200 semis that go through the city of Winkler every day.

Mr. Daryl Reid, Acting Chairperson, in the Chair

Obviously, this is an issue of safety. It is an issue of moving vehicles north and south. Also, Highway 32 is the highway that leads towards the port of entry at Walhalla, another very, very busy section of highway.

The area that I am specifically looking at right now is the four-laning of the section from Roblin Boulevard to the city's south Perimeter. The issue that I am bringing here today stems from, this was in the papers out there, but council not impressed with Highway 32 offer. That was following a letter that they had received from the department. Basically, I am going to read some of the concerns that were expressed at that time. I would concur, at least the projects that I have seen previously that we have been involved with, that when there is a provincial highway and it goes through a city or a town that the sewage, that part of the infrastructure, is a responsibility of the community, which is not anything that they are arguing about, but that the responsibility of the paving of the highway and the upgrading of that section is definitely a responsibility of the provincial government.

This is a provincial highway, Highway 32. Just to put on the record here the response that was given and then the letter that was sent to the minister, I refer you to the letter of September 9. It says that work on PTH No. 32 by your department would be subject to a 50-50 cost-share arrangement. In fact Winkler's share would be much more than 50-50, as we would be required to pay 100 percent of the upgrading of the drainage system, upgrading illumination, additional work of tying in the side streets, new sidewalks and relocating local infrastructure, water and sewer lines.

My understanding in talking to the council and the mayor is that they are aware that there are some responsibilities that they have, but the

response that they get back is that now on the highway itself, on the actual paving and the upgrading of that system, they have been asked to share 50-50 in that as well.

So, consequently their costs, the way I read it and the way they read it, are much, much greater. This would be precedent setting within the province. I guess I have got a number of questions here, but I would first of all like to refer you to the comments and the letter here and would seek your response regarding the costing of this project.

* (11:00)

Mr. Smith: I would like to thank the member for his comments. The Norquay Drive to the city limits, about 3 kilometres, 3.2 kilometres along that stretch, certainly I know, is a priority for the area.

The area, like many other parts of the province—things are fluid and things change. It has been incredibly successful out there. The member mentions the traffic flow increases and the amount of economic activity and development that is happening out in that area.

The cost for that section, certainly, on numbers, and every year, I think the member would agree, something costs \$1 this year, it might be \$1.02 next year. Costs do increase year after year and the estimates, those costs are variables. It is about a \$6-million project to complete that stretch of highway. It is, certainly, something that is optional. If the community has a priority that they feel is a high priority need for their community and would like to move projects ahead, many times on a cost-share basis, those projects can be looked at and considered. Obviously, more projects with more dollars can be completed and done. It is not a priority by any means that communities have to come into that type of cost-share arrangement by any stretch of the imagination.

One thing is certain in a budget of up to \$120 million in capital. The member can pull his pencil out and soon jot down that when you have a \$6-million project and one piece of 19 000-kilometre stretch of highway system in Manitoba, it makes a big impact and takes a big piece out of the Budget.

All jobs in the province are, certainly, prioritized by methods that have been used, certainly, by this department for a decade or better, and rightfully so. Safety is a priority and many other issues are taken into account, economic development needs and changes of highway systems and routes. These are taken into consideration. But a \$6-million project, I am sure the member still feels that \$6 million is a considerable amount of money and a large percentage, 5 percent of capital for an entire year for the Province of Manitoba.

So those types of projects, certainly, are being considered. I know that the land acquisition is going on, working with the town of Winkler on land acquisition on that particular project. That is being worked on. We are working with the community to try to consider that project as we can with the funding that is available. It is just an option that is put out to communities when you look at a 50-50 cost-sharing regardless of the size of the project to try to accommodate and move projects ahead for communities.

So, if the member feels that it is a priority for his constituency and that the folks in the municipality feel it is a priority, often those projects can be advanced in a quicker way. I think it is a good process. It is a way to get more work done throughout the entire province and, certainly, people within their communities know full well what is most important in their communities.

The amount of allocated dollars we have increased. I have mentioned that before, but it is still nowhere near enough. Every member who can come in here will identify a project that is incredibly important to one section of their constituency and community. We get to the projects as quickly as we can.

It is, certainly, something that we will continue to work on with Winkler. We have a good relationship with them. We will continue to look at the project.

Mr. Dyck: I appreciate that response. On the other hand, though, I think with my asking the question, I am saying, yes, this is our priority. Certainly, there are other issues and other

concerns that we have within the area, but in the sense of priority, I understand the funding concerns that are out there, and that is why I am zeroing in on, basically, this one. This is one of the big issues for the region.

I should point out to the minister as well, and I know that he is aware of it, but this is the fastest growing region in rural Manitoba and has been for the last number of years. So consequently, as I said at the outset, it is not only that the flow of traffic is increasing, but it is also really a safety issue with the schools being located in that area. I would just encourage the minister and the department to look at this favourably and move this ahead as quickly as possible.

One question, I do have. You indicated that the cost was \$6 million. That is the total cost of that project, right? Just to continue, the total cost is, well, I have the number of 5.5, but, as you say, that number can move. So it is 5.5 or 6. So then it is not quite accurate that this is the total cost for the Province. I mean, there is a cost-sharing already taking place when you look at sewer and water, which the city has admitted is their responsibility.

Mr. Smith: Just for clarification for the member, the numbers I have given—I know the number that is printed, you have printed in the books, about 5.5—the most recent numbers and updates on what the cost of the project would be are about \$6.1 million.

The sewer and water are over and above that. Sewer and water are obviously a municipal responsibility and something that municipal does take into effect. Those costs are incurred. I fully understand they are very expensive costs for a municipality to incur, but the estimate we have now, the most recent estimate is around the \$6-million mark. It just shows how prices will fluctuate on jobs, but, yes, the sewer and water is over and above. That is a responsibility of the municipality and a commitment they obviously have to make to the project.

The member mentions Winkler and Morden. I fully agree, it has been an incredible success story, the accomplishments, and full kudos should go out to the people in that area on their development.

Often we have heard people say that sometimes you can be a victim of your own success. The growth in the region is phenomenal. It is great for Manitoba and a lot of other communities have taken note on how successful they have been and why, but it is a matter of a certain amount of dollars that we can expend and where those priorities are. I know this is a priority for the area and we will continue to work with the folks out there. We have a good relationship.

Mr. Dyck: I appreciate those comments. I guess I would just like to add to that, I was listening to the minister making comments regarding the contributions the Province is making federally and of course we are not getting our fair share of the taxes back, and so on.

I would like to submit that with the economic activity that is taking place within that region, maybe we need to look at making sure we put some of those dollars back in there as well, because there is a lot of economic activity and taxes that are being generated in that area that are contributing to the success, also, of the province.

I think, in full consideration of this, we need to look at the total package. I would really urge the minister and the department to look at this favourably and to do this sooner rather than later. This does need to be done. We do not want to stifle growth in areas of the province where it is taking place.

I would ask the minister: We have talked about the highway issue here, does he have a time frame, a time line as to when I could be expecting, or we could be expecting rather, that this project will be taking place?

Mr. Smith: Just in response to the member, he is quite right, something we can both agree on, the successful enterprises that have happened throughout Winkler, Morden, that entire district, entire area have been recognized and I recognize them.

I think a lot of folks in Manitoba recognize them, but I have also heard from people out there that, not only dollars into the region is important, but the entire road system for the distribution of their products and getting it out obviously to market is incredibly important to them.

Although that is a concern regionally and it is a legitimate concern to want improvements within your area, there is no denying that, but I have also heard from people within the industry, the trucking industry on the major concerns they have on distribution of their product to market is very important.

We are trying to do that balance. I believe we are doing a reasonable balance with the dollars we have to expend. Getting product to market is important, as I mentioned before. There are a lot of directions for Manitoba.

We hit some \$87 million, as I recall from my Economic Development days, of potential customers, and out of Manitoba we want to have that as seamless and fluid as we can. We do try to take that into consideration. We try to take local communities' concerns into consideration and have that balance.

I believe the balance, with the increase we have put into the Budget, is a small start. It is, certainly, a little over 16 percent on potential for capital and we need a lot more money in that system. I would look to the member to look for working with us and working with our community. We, certainly, intend to sit down and try to advance all projects with the communities that have concerns. We will commit to try to work on this project along with a lot of other projects and prioritize them as we can with the dollars we have to expend.

*(11:10)

Mr. Dyck: I appreciate that answer, but I would still like to know the time line in your capital project budgets. What are we looking at?

Mr. Smith: As the member knows, we have a flow budget of projects and projects into the scope of a two-year rolling project. In the five-year project comparisons, this is not in there. It is obvious from our 2020 Vision, with all the concerns that Manitobans have in the different areas and impacts on Winkler obviously being one of those factors. I think we will have a better understanding and idea after our 2020 Vision comes in with the impacts. As the member mentions, economic impacts, growth impacts, change in flow patterns, needs and wants of bridges and RTAC roads, which is very important to all rural Manitobans, certainly, getting their product out to their market.

We do not have a time line that I can give the member right now. I cannot put a time or a date on that other than to say that we, certainly, will have this in the mix. We will work with the community. Any relationships that I have had with municipal officials out there and people in the community are always looking for solutions. It is not that they bring the problems, they bring some solutions and suggestions to my office. I value that and appreciate it. Mr. Chair, 2020 Vision is getting a lot of that throughout the entire province. It is going to be a balance. I cannot give the member a time or a date other than to say that we will consider it and look at it with the balance of all priorities in Manitoba.

Mr. Dyck: Just for clarification, did I hear the minister say it is not even in the five-year project or scope?

Mr. Smith: As a draft, the five-year plan is being developed to this point. It is not in the draft five-year plan. We are waiting for information to come back from the 2020 Vision, and I know the inclusion of the area that the member is from will be in that. It is a plan that is being considered. It is being looked at, not to say that it will not be in there, but we do need to look at the information that we will be receiving from the 2020. Certainly, other options that we have mentioned with the community to possibly advance the project further ahead. We continue to meet with the community, and I am interested in what they have brought forward. It is not into a five-year draft. The five-year draft is not complete yet either.

Mr. Dyck: I will just make a concluding remark. I just cannot see that as being satisfactory because of the growth that is out there, certainly, the traffic counts that are out there. I would just encourage the minister to look at this and do it as soon as possible. There is continued growth, and we want to see continued growth take place. As I said before, this is a safety issue. It is a growth issue. I would really, really encourage the department and the minister to look at it and do it as quickly as possible.

Mr. Smith: I appreciate the member's concern and his respect for the growth and the changes that are happening out in that community. Obviously, as those changes happen, things can

come into the mix in a quicker way. There have been some changes. Those will be considered, those will be looked at. Safety, as I mentioned, is a concern. The member has mentioned the traffic flow and some of the concerns they have out there. Those will be taken into consideration, and I appreciate him bringing it to the department's and my attention. I know there are considerable changes out in the area and we need to look at that.

Mr. David Faurschou (Portage la Prairie): I know that time is fleeting. I will attempt to keep my questions short if the minister can try and keep his responses similar to that.

Just globally here, I understand there was a federal committee study that just came out, I do not know whether it was a Senate or parliamentary committee, that recommended a number of things in regard to our airport: one, the security tax can go the way of the dodo bird; the halving of the federal excise tax on jet and aviation fuels; and, thirdly, forgiving by the federal government of the rental charges on all airports they had given over or agreed to give over to localized jurisdiction.

I wondered if the department is familiar with this recent study and whether or not the department has acknowledged support of the recommendations.

Mr. Smith: I would like to first welcome the Member for Portage to the table here this morning. The points he has mentioned in the study, certainly, were something we had raised points on to the federal government. So we were pretty much in agreement with a lot of the report.

As the member knows, we have had numerous discussions. Both I am sure the member and myself have had numerous discussions from the Winnipeg Airports Authority here on the industry and the impacts on the industry over the last couple of years. The reduction of, if memory serves me, \$24 to \$14 was a start on the security. That had been mentioned. I know the industry would like to see that reduced again in a substantial way.

The points the member has raised are, certainly, something we have raised before as a government.

Mr. Faurschou: My apologies to the minister. I am afraid the article which I read, I believe it was just early summer of this year that this was tabled for the House of Commons. I just believe that as a department we should use any and every opportunity to backstop things we want to see happen, by letter or some type of correspondence.

Anyway, I do want to say that I recognize the minister has not been there for the entire accounting period to which I am referring here, but leaving 13, virtually \$14 million out of his department on the table last year out of his budget is a concern when we have a significant deficit in both Government Services hard assets and Highways assets, and also to recognize that the activity within the Department of Transportation, when one exceeds the budgetary revenues on gasoline by \$3,459,000 it is significant, and also the motive fuels, where your diesel fuel and your railway fuel tax are recorded, was over budget in revenues by \$2,432,000. Both budgetary items on the revenue side were over budget and on the expenditure side significantly under budget. Something is not right here.

Whether the department is not prepared to spend the allocated dollars or the department is getting stepped on by other departments that are not keeping within their budget, because at the end of the day the overall provincial Budget was on a balanced budget nature according to the legislation by only \$3 million, so, obviously, an under-expenditure, Mr. Chair, of \$14 million by the Highways department, some other departments significantly overspent.

I am basically here to say to the minister that you get tough with other Cabinet colleagues, that highways and Government Services fixed assets are vitally important to this province and the people of Manitoba. It is incumbent upon his department to make certain that these assets are preserved through maintenance and repair. I cannot stress that point more vigorously. So I will leave the dollar value, but I do not think I have to convince any department personnel or the minister himself. But it is something that other Cabinet colleagues must recognize, that it is vitally important that we continue to maintain and preserve our investment.

Now, I do want to just ask two questions specific to Portage la Prairie. I am very thankful for the previous minister's support for Provincial Road 227 which is under construction right at this moment. However, it is only half of the project. I personally have never been in keeping with the ideas of a road when you only go halfway. When you have the equipment and everything there, why not tender for the whole 16 miles instead of only doing 9? It is something that the area residents and I are concerned about, that we have not yet seen the balance of that Provincial Road 227 to completion at the intersection with the Yellowhead or Highway 16 in the two-year budget of allocated projects.

So I am here to ask that question as to the minister's best knowledge: When is the completion of that stretch of highway?

* (11:20)

Mr. Smith: I would like to thank the member for mentioning the largest expenditure of capital dollars into our road system in the history of Manitoba last year. Over \$112 million on expenditures, certainly, is historic in Manitoba's history. The member mentions the wants and needs of our road system and how vitally important it is to all communities.

So it is something that we are continuing to work on with our budget of \$120 million over a 5-year period for \$600 million on potential projections. Certainly, we are proud of it. I appreciate the member's comments in recognizing it has been a great effort by the department and by all the staff to get more work completed here in Manitoba year over year. This next year we hope to do as much as humanly possible to increase our capacity on our road systems, to maintain and to build some new systems.

Highway 227, I was also out about a month ago on that stretch when I had the opportunity to travel up from Portage la Prairie up to Delta Beach. I took the time to look at the project that is out there. The member is right. The grade and gravel on that section, a little over \$2 million on the project, \$2.1 million, I believe, is projected on the project, is for a distance of 8.6 kilometres. I think it went slightly over that, actually a little more than the 8.6, but it was a job that was well done.

The second half is, certainly, a priority consideration in future budgets. I agree with the member that obviously when you do a piece and a stretch it would be nice to accomplish and do the entire stretch in one piece. If you took, I believe the distance is about 19 kilometres, the entire stretch, about halfway it would be another couple million dollars on that stretch. The priority section being done on the first phase, the first half here, is something that was needed. Completing the other section, certainly, would be preferable to get that done as soon as possible. It is something that will be a priority out through that region, out through that area.

I know the folks from Highways out in that area would like to see that section completed. It is down to the balance of priority and different areas. I am sure the member has a few other roads in his district that he feels that dollars could be allocated to as well. I am not sure, maybe that is the priority. If there are other projects in the area that he would like to see not advanced, maybe we can sit down and check on that and look at advancing them towards that project and then maybe there could be a possibility. The member would know well his area. I am sure that we could sit down and talk about that at length.

There is a lot of good road system, certainly, in the Portage district. I know there are projects continually going out in that area. If he could bring information back to me from the municipality or from himself that there are other projects that possibly could be delayed and this project moved ahead, I would, certainly, be open to hear that from him. Maybe he has comments now about other projects that he knows could be considered not as high a priority within that area. The cost would be about \$2.7 million. It is a priority. I would like to see that project move ahead. It is only prudent to advance projects on the entire umbrella, certainly, in the member's area and all areas of Manitoba on the basis and on the principles that we have used for a decade in this province to advance our important job. The member and I do not have the time now and he has other questions. I would, certainly, be willing to sit down with the member and look at his region and what advice he can give to me on projects.

Mr. Faurchou: I do appreciate the minister's response. It is an artery that is considered one of

the primary evacuation routes in the case of flooding for Winnipeg, being that the 1950 flood the Red and the Assiniboine came to crest very similarly. It has been identified by the Emergency Management Organization that Provincial Road 227 is a vital link in the evacuation of Winnipeg should that occasion occur. So it is a priority to get it done.

Development of Simplot in Portage la Prairie added potato acres. In and about Portage la Prairie is near saturation, so additional areas for potato production are necessary. Primary regions close at hand are Treherne, Rathwell, Holland, all along the No. 2 and still within proximity of the Assiniboine for irrigation. A survey by RTAC rated Highway No. 2, however, the crossover to Portage la Prairie, as cumbersome. They have to travel significant distance out of as the crow flies type of direction to get to Portage la Prairie's Simplot and McCain plants.

I am here today, Mr. Minister, to advance the importance of seeing improvement to RTAC rating one of the provincial roads that comes across, whether it would be 242, 305 or 240. I know his department will look to 240 as being the first road of choice because of the bridge over the Assiniboine being already of load factoring that would come consistent with RTAC-rated highways. I will stress this vitally important project, because it is something I know his department recognizes the need for and, because of the change of production habits.

I understand also the Prairie Grain Roads rehabilitation dollars and program, this would qualify for. I am wondering whether or not that particular program coming to its conclusion next year has been fully allocated. If it has not been, I suggest very vigorously once again that this be considered.

* (11:30)

Mr. Smith: I would like to thank the Member for Portage (Mr. Faurchou) for his comments. I know that area quite well, in through the Treherne-Rathwell area, and I know Highways 242 and 305 and in fact even 240 would be probably a preferable route for that area to get up.

As we mentioned previously to one of the members that has seen success and development in his area, sometimes success is, certainly, something that is a challenge on the economic side for transportation of communities.

One, I would like to mention that Portage has done an excellent job, not just on the project of McCain's but in many other projects within the community, of developments. I know some of the pressures that are on because of higher traffic flows and volumes into the Portage region.

The McCain plant, or the Simplot plant, certainly, is putting pressure on, from that area. There is very good potato production land out through that area. I know they have to travel up to Highway 13 to come back in through Elm Creek, through the Elm Creek area. I know it is a bit of a distance to drive. It is a longer distance to drive. Obviously on the production side and dollars back into your pockets side it would be preferable to have one of the routes cut off.

There is a good access road in there now. I know on the Prairie Grain Roads Program, in consideration of the Prairie Grain Roads Program, there is just not enough grain volume in that area compared to some of the other highways and some of the other areas. We have looked at it and it is one of the ones that it just does not qualify as high as a lot of the other areas that are under consideration. So it is based on that. We have considered it, we have looked at it and it does not appear that it is going to qualify.

Mr. Faurschou: Well, I thank the minister for his response. I have raised it. These are considerations that are priority items for it. Obviously there are others in and about the area and we could talk at length of them.

What I do want to do at this time is compliment the Transportation Department staff. The working relationship under the management of Bob McKay in the central region is top notch. I could not think of improvements in relationships between the department and, whether it be a conservation group, with the municipalities, with the cities. Bob McKay has been outstanding and represents the department

extraordinarily well. The personnel within the department too exhibit at all times, are very professional and are responsible and respectful. I say that at this time.

You know in construction you see disruptions. In a lot of cases people do get a little upset. It calls upon department personnel to almost mediate between construction individuals and local residents. That has been accomplished. I know just even two days ago that occurred and I compliment the staff and your department right up through, it is good.

I will say though right now I want to cite The Noxious Weeds Act, a Manitoba article that does not exempt the Minister of Transportation from complying with that piece of legislation. There is an abundant growth of noxious weeds in the Department of Transportation ditches throughout the province. I would say that the minister had better take that into consideration, because it may even be this honourable member that serves him with notice that he is in breach of such an article. It is getting to a grave concern of all adjacent landowners, the spread of Canada thistle and other noxious weeds. I realize that there is limited budget, but it is required to comply with Legislation.

I believe that if you take a real strong stand in controlling the weeds and brush and other things in your ditches in one dedicated, concentrated effort, you can control the situation for years down the road. Just tinkering with it does not do the job. A little patch of spraying here and little patch of spraying there does not do it.

I know the municipalities that you work in co-operation with do do the best they can with a limited amount of dollars. I am just emphasizing at this time that this particular area of your department needs a concentrated effort, not tomorrow, but today.

Mr. Smith: I would like to thank the member for his comments and advice, suggestions. Certainly, I will pass that on. I know he does have a good relationship with the department up throughout Portage. They do do an excellent job and I will pass that on. I appreciate him mentioning Bob and the staff out there have

done a very good job for that area. Andy and the others here, certainly, with the resources they have, do a very good job. I appreciate you mentioning that. I will pass it on to Bob and staff and, certainly, I would like to thank the member for his suggestions, advice.

I know the member and I have had numerous discussions on different issues involving highways, and I always respect and appreciate the depth of knowledge the member has, not only on the entire system of highways, but also on his area and the concerns that he does follow up for members in his area. I appreciate very much his comments.

Mr. Faurschou: Thank you. I do want to ask the department staff about a situation on the bypass in and about Portage la Prairie involving department-owned Wayside Park. The Wayside Park is maintained by department personnel and they do do a very good job, however, vandalism has been a concern. The washroom facilities ended up being totally destroyed by fire and were not available for this year. I will testify personal first-hand knowledge that the need for even temporary washroom facilities within that Wayside Park is desperately needed. The park maintenance staff are continuing to try to clean up human excrement on a daily basis and it is just not a sanitary situation.

Mr. Smith: I would like to thank the member for his comments. I know the wayside sites, certainly, within populated areas that are close by within 10 kilometres or 15 kilometres of sites have been vandalized a little heavier. I guess party sites if you will, sites for people to go out and use as a party spot. I cannot think of a better term. There has been a lot of vandalism, a lot of damage at a lot of the locations throughout the province.

The cost to try to curb that, I know working with the local jurisdictions, they do the best they can, police services and patrols and the RCMP and such, but, certainly, to have security 24 hours a day would be extremely onerous on the department. We have considered this. I have considered this on sites and locations and traffic flows which changed in the last 20 years. It is something I am asking for presently to look at locations and allocations of dollars in the proper spots.

What was traffic flow in areas and stopping areas 25 years and 20 years ago when some of these locations were built and longer, has changed. I think we need to, as a department, seriously consider and look at if, in fact, it is meeting the needs of the travelling public. We want to, obviously, put our best foot forward for our travelling public coming through to enjoy these facilities. The member mentions the vandalism and fire damage at his.

The expense is there, and again it is a balance within the departments on our dollars allocated to the best usage. I appreciate the member mentioning and bringing up the point of his destruction in the one that is close to his community. It is a good facility, and it is unfortunate that the few people that do the damage and cause the damage cause all the taxpayers huge amounts of money to try to keep a resource that is quite valuable to our travelling public.

I would be more than happy to sit down with the member—I do not want to go on at length about this—and any suggestions he might have on that.

* (11:40)

Mr. Faurschou: I appreciate the minister's understanding, and maybe we can work at Justice to try and get a little more augmented personnel helping you out on Highways in another department, in another committee here.

Seeing that you also cover Government Services, it is front and centre in Portagers' minds right now, redevelopment of Government Services facilities in Portage la Prairie, i.e., the women's correctional facility. I know it was deferred by Justice earlier this week to Government Services as far as the planning and development of this facility. I would like to ask for an update on this important project for Portage la Prairie.

Mr. Smith: I know the member gets a lot of people in his community. It is an important facility in Portage. It has been there for a hundred years or close to. Certainly, it is something that we are considering and looking at in the department on the best way to have facilities that are again conducive to today's

present needs, and obviously construction of a new facility is paramount.

I know Justice is considering some changes to the buildings. Through our department, we have actually looked at some of the costs in structure and possible breakdowns. It is nowhere near the point of RFPs or putting things together. It is in the initial stages, and I know now there is consideration of a committee being formed to look at the wants and needs and a need-assessment of what type of facility is being considered.

The location of the facility—I know the member gets quite often: Is it staying in Portage? Is it moving out of Portage? Is it going to Virden? Is it going to other areas?—quite frankly has not been discussed. It has not been considered. Certainly, there has been a number of dollars allocated to a capital program, could be an RFP out by the possibility of the new year, December, January, and there is a committee that is being considered right now.

The program would be for function and design, as I mentioned, that is the stage, function and design, what the building would be.

As far as the community, I know there will be community involvement over the next period of time and through Justice, certainly, they are looking at getting some input from all concerned members of the community and from the hosts and from clients that it serves. So that is in the initial stages.

There is a committee being formed, and we will get input from the community. Certainly, the member will be well apprised of that committee, when they will be initially meeting and the input from his community. I will forward that information to the member as soon as it is available to me to be part of that.

Mr. Faurschou: I thank the minister for his response and I do appreciate there is a line item budget for consultation purposes. There is a lot of discussion as to whether it should be on the north side of Portage or on the west side of Portage or right downtown the way it is. We are anxiously waiting to see that come forward, but there are other Government Services buildings in

and about Portage la Prairie in very much need of attention.

The Agassiz Youth Centre is extremely dated. There are concerns of meeting fire code that are and have been addressed. That facility is looking for additional improvements as is the capital demand of the Manitoba Development Centre, a major centre for the province in Portage la Prairie for those persons unfortunately being born with mental challenges. Again, I wondered whether the minister has consideration at that location of potential partnering with Manitoba Health and/or an entity that I may be so bold as to suggest, the Rotary or the Lions on some construction that may make that centre as a centre of excellence for brain injury, for instance. So, these are some of the things that Government Services, I hope, will keep in mind when they look to retrofit and major renewal of these types of facilities. And, again, Justice is important as a department to work with as well.

Mr. Smith: Again, I know those are both large operations in the member's constituency. I have had the opportunity to be through both those facilities. I know the Manitoba Development Centre, the member mentions upgrades and there will be about a \$1.5 million fire upgrade completion hopefully this fall when the work can be completed. The Agassiz Youth Centre, certainly, continuing ongoing costs are there. It is an aging facility, again, and upgrades are needed constantly. I believe the facility and the management of the facility has been well respected, certainly from my end in the minister's office on targetting priorities that they have and trying to address that together. I believe we are keeping up with the basics, what we have to do, no major improvements planned at this time, but, certainly, the fire upgrade is something that needed to be done. It is being done, and it is probably long overdue. I fully agree that the dollars are well spent to have that security and that safety, and obviously that was brought forward by staff and people within the facility and it is being done.

Mr. Maguire: I would like to continue with a few questions here in the short time we have before we break. I know the minister has referred to the 2020 Vision document, the synopsis of information that they received as he

travelled the province. The chairman of the day here was the chairman of that committee. We have got replacement costs outlined of the total system replacement. Obviously, depreciation on those roads is considerable, extremely high in regard to the total budget of the department. There is also bridge replacement and we have over 1200 bridges in the province of Manitoba as the minister well knows, and can he give me any indication of a replacement cost of the bridge system in Manitoba as well?

* (11:50)

Mr. Smith: The member's mention of the replacement bridges is correct. There are over 1200 bridges, but the large diameter culverts in water areas are considered a type of functional structure, almost bridge structures, some 2400 in the entire system.

The replacement of the system, certainly, would be a budget for the Province of Manitoba for the entire year. It is a little over \$7 billion, \$7.1 billion the entire structure, including bridges. That would be the estimate, within that area. Even a further breakdown for the member is replacement value of the highway system, in total 7.1 billion. There would be about \$5.6 billion in roads. Bridges would be about \$1.25 billion. The large culvert replacement would be about \$250 million. That would not include the price of the infrastructure to replace our airport infrastructure.

Mr. Maguire: I would just like to ask the minister, I know one of the issues that he referred to in the article today was one of the issues in obviously replacing a road like No. 8, and he is right. There are other roads on the highway, I think, that are worse.

One of the areas is the winter road system that you referred to. I wonder if the minister could clarify whether or not the winter road system is included in that.

Mr. Smith: I think what is probably of interest to Manitobans and was, certainly, of interest to me when we looked at the system of somewhere in the 18 500 kilometres of road system, the winter roads are not included in that. There is an additional 2100 kilometres of winter road system

in the province at a value of \$5.8 million annually spent on that system.

The road system is a science, certainly, that has so many variables. It is extremely hard to predict. What we have tried to do, certainly over the last few years, and I know the member prior to me in Highways, the Honourable Steve Ashton, was very well versed on winter roads. He has travelled most of them.

The realization over the last number of years, because of the climate changes that we have seen even on a small quarter degree in changes, certainly, recognized in the Thompson region with bear dens that used to be frozen over, actually deteriorating to the point where they were crumbling in and the births of young bears, certainly, is something that has been a tourist attraction in the province of Manitoba over the last number of years, been recognized by people generation after generation of people that come from the community saying they had never seen this.

We see that impact on our environment and we also see that impact on our road system where we see deterioration of winter roads earlier. We see later dates of winter roads going into some of these communities. The consideration has been to supply access to our northern neighbours of land-based winter road systems as opposed to on-ice, on a water system reliance. We are trying to move to that. We have met with many of the communities up north and looked at land bridge access roads as opposed to not using the winter road system as much. We have seen over the last few years and I know years in the late nineties where communities are blocked off from even three weeks of winter road use because of unsafe conditions and conditions that cannot be depended on. So we are moving toward that.

We are moving toward the area of trying to establish, and we have done considerable work on possible access routes and engineering on access routes to take our road systems from being reliant on the freezing conditions of winters and putting them on to more sustainable road systems, which will probably in the end reduce our possible costs and make it a safer road to travel for people getting into their communities.

Mr. Maguire: I would just like to refer to the minister's supplementary documents in regard to Transportation. Just looking at it, he is correct. There is \$5.8 million budgeted in 2003-04 in the Estimates for winter roads. There is a line there that is \$5.4 million. It has got the notation beside it, shareable with Canada and third parties. I wonder if the minister could just outline for my information whether the 5.4 is the complete provincial share or whether Canada and third parties pay a portion of that, and, if so, how much?

Mr. Smith: The number of 5.484 is something that the provincial government does front-end in the payment. It is cost-recoverable by federal revenues. There are some third-party recoveries, a small amount. About 2.7 is from federal. It is a cost recoverable.

Mr. Maguire: So the minister is indicating that of the 5.4 there is 2.7 of that that is recoverable from the federal government?

Mr. Smith: Yes, that is correct.

Mr. Maguire: Can the minister indicate to me how much would be third-party recoverable, if there is much from there?

Mr. Smith: Out of that 2.7, that is all-inclusive. It comes through the Southeast Resource Development Council, through the federal government to them, to the province.

Mr. Maguire: Well, for another question, I guess the winter road, a 100% provincial share of \$405,000 that is listed in the line item, can the minister describe to me what sector or what portion of the winter road system the province pays for completely? I know that is topped up to the \$2.7-million share of the winter roads on the other line that I was referring to, but can he just inform me as to what that is used for?

Mr. Smith: The portions, 100 percent are from Pikwitonei to two kilometres on the Buckingham Road, Thicket Portage to seven kilometres on Portage Crop Road. The total value of that is \$153,000; South Bay to South Indian Lake is \$56,200; Ilford to York Landing is \$79,200; crossing at Nelson River to Sea River Falls is \$32,800 and Granville Lake to PR 371 is \$97,500, so that is the area.

Mr. Maguire: I wonder if the minister could indicate to me: With both of these items being under winter roads, why is there that portion of it that is 100% provincially funded, or is that a change?

Mr. Smith: The agreement for some time on these communities has been in that 100 percent of the dollars are expended from the Province of Manitoba. The reason being is that they are not 100% First Nation communities. They are Manitoba communities of people that are not of First Nation persuasion.

Mr. Maguire: The minister is saying then, Mr. Acting Chairperson, that they are not of First Nation persuasion.

Mr. Smith: Yes. They are not totally First Nations. They are a mix of both. So they are not 100% First Nation communities.

Mr. Maguire: So, therefore, Mr. Chairperson, the minister, the provincial government takes it upon themselves to fund those roads.

Mr. Smith: Yes.

Mr. Maguire: My last question, I think, before lunch will be to the minister just to say that he referred to the winter road process as a system that would help No. 8 highway. There has been an increase here of \$1.1 million or \$1,050,000 in regard to the winter roads program, so, therefore, it has not been an annual expenditure in that area.

The Acting Chairperson (Mr. Reid): The hour being 12 noon, I am interrupting the proceedings with the understanding that this section of the Committee of Supply will resume following Routine Proceedings.

INDUSTRY, TRADE AND MINES

*(10:00)

Mr. Chairperson (Conrad Santos): Will the Committee of Supply come to order, please. This section of the Committee of Supply has been dealing with the Estimates of the Industry, Trade and Mines.

Will the minister's staff please enter the Chamber.

We are on page 105 of the Estimates book.

Mr. Ralph Eichler (Lakeside): Mr. Chairman. Good morning, everyone.

On page 3 of the Manitoba Development Corporation, I was wondering if the minister could outline a little bit the increase from '02 to '03 from 49 million to 72 million, if she could give me a bit of an insight with that. Page 8 of the Manitoba Development Corporation report.

Hon. MaryAnn Mihychuk (Minister of Industry, Trade and Mines): The differences that you see there are accounted for, the two loans that we did during that time period.

I do not have a light on this. Is that okay to keep speaking? The light is on Gary? Now it is switched.

An Honourable Member: You are on.

Ms. Mihychuk: The differential between the two numbers is related to two loans that we dispersed, that being \$20 million to New Flyer Industries and the other 9.4 to Motor Coach.

Mr. Eichler: On the training program then, that comes out of a different fund for the total for MCI?

Ms. Mihychuk: The training programs come out of Advanced Education and Training, and there is a training component in that department that is used on a number of these projects.

Mr. Eichler: Thank you for that.

Just to give the minister a bit of a breakdown here of where I am going, I would like to be wrapped up by 11. I have been asked to try and finish, so if you could work with me and keep your answers as short as possible, I would certainly appreciate it. I know I will try to keep my questions short. The Liberals have asked for 15 minutes, so we will try to stay on that time frame.

In regard to Ottawa, who is the fellow in charge there and what is his main role?

Ms. Mihychuk: Jim Stewart.

* (10:10)

Mr. Eichler: Jumping again, all over here. The Co-operative Loans and Loans Guarantee. Can the minister tell me who the principals are and if there are any personal guarantees on United Messenger Co-op?

Ms. Mihychuk: That program was transferred to Intergovernmental Affairs.

Mr. Eichler: Because I am new, I do not understand. Why would it be transferred from this to Intergovernmental Affairs?

Ms. Mihychuk: There was consideration for more efficient delivery of programs, and many of the rural diversification programs and business programs are handled out of Intergovernmental Affairs.

So it was an attempt to be more comprehensive and more efficient with staff. There was a close relationship with the co-op branch and Intergovernmental Affairs. A lot of their programs were in rural Manitoba. So that is the reason for some of the changes. At the same time that that occurred, the new Department of Energy, Science and Technology was also created.

Mr. Eichler: So that I am clear, then, the total Co-operative Loans and Loans Guarantee program has been transferred to that department?

Ms. Mihychuk: That is correct.

Mr. Eichler: Mr. Chairman, it has been brought to my attention that the federal government has begun an initiative to go to Russia to promote the beef industry. Is the Department of Industry, Trade and Mines planning on being part of that?

Ms. Mihychuk: I am familiar with certain Manitobans, who have been working on this project including former Premier Mr. Ed Schreyer, and, Mr. Chair, there are other prominent individuals in Manitoba looking at alternative markets for Manitoba beef. But the jurisdiction or the responsibility for the marketing of Canadian food products is in the hands of the federal government. At this time

our department has met with individuals with ideas and is always willing to assist in developing those. I can tell the member that we are looking at, also, domestic markets for Manitoba cull-cow meat and looking to enhance the slaughter capacity. So all of that is our attempt to find additional markets.

Mr. Eichler: Thank you for that. The cull cows, definitely, and the cull bulls are a huge part of our problem here. According to the numbers that have been presented to me for cull cows, it is going to be in the neighbourhood of 631 000 cows come December 1. That is in Canada, not just Manitoba. Québec has some type of program going on those same lines and it would be nice to see industry take a lead role in trying to be aggressive and capture some of this market.

Ms. Mihychuk: We are working with several groups that are looking at slaughter facilities in Manitoba. They are increasing their capacity or changing their production lines to be able to deal with the cull population which we estimate to be about 55 000 in Manitoba. We are also working with some contacts in eastern Canada, in Montréal, and are looking, as I said previously, to develop a marketing plan to distribute the meat into an area that can use it, because we will not be able to consume all of the beef that will be available.

Mr. Eichler: In trying to go back through Hansard, and I am not sure if it is even still there, is there still a beef development fund?

Ms. Mihychuk: That does not lie in our department, Industry, Trade and Mines. It may be in Agriculture, but I am not familiar with it.

Mr. Eichler: This will probably kill my next question because it falls along the same line. For the other ruminant animals such as bison, elk, sheep and goats, probably then there is no program for them either. It would probably fall under the Department of Agriculture?

Ms. Mihychuk: We have participated in discussions with various entrepreneurs who are looking at enhancing slaughtering capacity, some of them multispecies, some of them directed to particular animals. If a large project comes in, it is often an interdepartmental team, including us, Agriculture, Intergovernmental

Affairs, to see if the site location is possible, to see if the economics work. To date we are not involved in a program as you have described. If there is a specific program it may be housed in Agriculture. It is not in Industry, Trade and Mines.

Mr. Eichler: I am sure the member is aware of the co-op-owned bison processing plant in Grand Forks. My information has told me they are looking to relocate, not necessarily relocate, but build a new plant somewhere in Saskatchewan. Has the department talked with the bison industry about building that in Manitoba rather than let it go out of the province?

Ms. Mihychuk: We have not to date been involved with that project.

Mr. Eichler: Thank you.

The Manitoba Bureau of Statistics, my colleagues have asked me to express their gratitude for the co-operation from this department. They feel it is very well run and would like to thank that department for all their help.

Ms. Mihychuk: I will pass on that to Wilf Falk and his team. I know statistics often provide an opportunity for us to present our arguments. The Opposition use that on our job numbers. It is always somewhat dangerous to select one particular month.

For the record, Manitoba has been a steady economy that has seen job creation and growth on a steady pace. Once again, caution must be used when we use our statistics, just as sometimes on the government side, we wish to trumpet a statistic that is particularly favourable. Wilf and his team can provide the numbers.

They do that in a very efficient manner and can provide a very thorough explanation as to why there are sometimes substantial variances.

Mr. Eichler: I agree with the minister's comments there.

Moving to the Manitoba Development Corporation, again, if the minister could tell me

on the Vision Fund, the film fund, has there been any significant changes in those departments? I noticed the other day she did mention that the film fund is now all under your department. Is that correct? She could maybe enlighten me on that a little bit more.

Ms. Mihychuk: The Manitoba Equity Tax Credit program and the Film and Video Production Tax Credit program are now administered through Financial Services. The film program was administered under Finance previously and has been moved into the Industry Department. It has provided an opportunity to perhaps review the administration of that program.

I think, overall, the change has been positive from what I hear, both on the film side and from the administrative side. We have seen some very positive results in the film industry. We had Guy Maddin in the audience yesterday. We are all hoping he may win an Oscar for his work.

* (10:20)

So it is quite exciting to see these developments, and Manitobans are very pleased and thrilled to have Hollywood doing their productions here. It has resulted in some substantial ramping-up of the number of crews we have in the film industry, the number of productions that are occurring here and a general, I think, optimistic feeling. Even though we may be inconvenienced by some traffic jams or other usages of our offices, I think that we have responded in a very positive way. Hollywood and the film industry in general has a very high opinion of Manitoba's film industry so we are glad to participate and be a small part of growing that sector.

Mr. Eichler: Thank you for that, Madam Minister. When you make an investment to go to Hollywood or whatever, it is nice to see that you get a return on your investment. That is a good-*[interjection]* Shame on you.

I would like to switch again to another area and that is on the Internet pharmacies. I was wondering if the minister could tell her position of the existing Internet pharmacies in Manitoba. Where do you see this going and what is the Government's role?

Ms. Mihychuk: Well, Internet pharmacies have provided many rural communities with new hope and life and infused their economies for what we thought initially may be a fairly short time and now has been around, I believe, for almost three years. There is expansion of that.

The need for affordable drugs by people of the world, primarily Americans, has resulted in an industry being developed. Our role in it has been to try to bring the concerns raised by the pharmaceutical industry and the pharmacists and patient safety to the table and discuss alternatives and ways to manage that. Really, the issue is international in scope and I think that we are going to see some still interesting and dramatic chapters in the evolution of the Internet pharmacy industry.

So far, in terms of an industrial perspective, it has been very good for Manitoba and I think it is a tribute to our encouragement of high-speed broadband access, our encouragement of using technology, the ability of young people to be innovative and entrepreneurial.

The industry began in Manitoba with a young man in Minnedosa who could not make a living as a pharmacist with the traditional sort of job that he was going to be doing, could not make enough money. So he decided to try selling Nicorette on eBay and from there he realized there was a substantial market. Now they have employed almost 300 people in the Minnedosa area, caused a housing crisis and traffic jams and is expanding a plant in Niverville. So it is a 20-something young entrepreneur who found an avenue, but it has certainly caused Manitoba to have a lot of attention put towards our entrepreneurs.

You know you have to give a lot of credit to these young people who have dealt with a very large powerful industry, that being the international pharma industry, and dealing with the concerns of patient safety, which is in the forefront of these entrepreneurs that I have met and of course number one on Manitoba's agenda.

Mr. Eichler: Did the provincial government put any funding into the Internet pharmacy?

Ms. Mihychuk: No.

Mr. Eichler: Was there an impact study done by the provincial government as far as Internet pharmacy is concerned?

Ms. Mihychuk: No.

Mr. Eichler: With respect to MIOP, in the past the Premier (Mr. Doer) has talked about canceling this fund. Is that still part of the Premier's agenda or has that gone by the wayside?

Ms. Mihychuk: The commitment by the Premier was to attempt to reduce direct business grants and subsidies. The MIOP now has been transformed into a loan vehicle facilitating some significant projects in Manitoba. There is no intention by the Government to eliminate MIOP. It provides us the ability to deal with crisis, bring in new projects. I think government will need an instrument like that. There is no intention on behalf of government to eliminate MIOP.

Mr. Eichler: What is the percentage or is there a number that you have, is there a formula that you use for grants versus loans? Where is the department going to go with this percentage-wise or dollar-wise.

Ms. Mihychuk: Our goal is to eliminate direct grants to business. For the most part we have done so. Most of our loans are at Crown rate with repayable terms. The people of Manitoba will see their investments paid back and may see some interest accrued for the risk that they take. What we have seen is MIOP move from a grant to a loan provision. That is our goal in all circumstances unless there are unusual conditions. I think the Government has a record that shows that we are not dogmatic, that we need to look at each project individually, but we are away from handing out grants. We will participate in training, in loans, facilitation, bringing in other partners, but we try to avoid direct grants.

Mr. Eichler: Moving to the Provincial Nominee Program, for 2002-2003 how many participants came into that and how much money was put into the province?

Ms. Mihychuk: The immigration program is broken into two arms. One is the skilled workers Provincial Nominee Program. The other is the

one that Industry, Trade and Mines administers, which is a business nominee program. We have, staff are looking for the numbers, in 2002 and 2003, 131 approved applicants for an investment of \$40 million in Manitoba.

Mr. Eichler: That is excellent. What is the success rate here? Are there many failures, and what percentage of that 131?

Ms. Mihychuk: We have not been in a position to do a review. The program is so new that to date they have all successfully come for visits, been accepted and established here in Manitoba. At this point we could claim to have no failures. Let us have a look at in a year or two years and five years and see how our retention is and whether their businesses are flourishing and how they are doing. At this point, everything is on course. We may be getting a little overwhelmed with interest, but that is a very favourable position to be in.

Mr. Eichler: My colleague from Portage has a couple of questions. In all fairness to the Liberals, with the minister's permission I would like to have our staff available to me that, maybe, we could come back at a later date, not in the House, but through general conversation. I will let my colleague ask questions and then we will come back if we have more time.

* (10:30)

Ms. Mihychuk: Absolutely, and the door is always open to the Opposition or any member. I encourage the member to access the department, the staff, and, if there is a project for his constituency or the Province of Manitoba, I would be very honoured to have an ability to work on those with you and look forward to the next time we have an opportunity to do this.

Mr. David Faurshou (Portage la Prairie): I appreciate the opportunity afforded myself.

I thank my colleague from Lakeside for the chance to ask a question of the minister. It is an annual question or perennial, I should say, a question regarding the greatest natural resource we have in this province and that is water.

The minister, a number of years ago, was challenged in this regard, and it was recognized that it was not only her department, but

Agriculture and Conservation and Inter-governmental Affairs that had parts of the puzzle, shall I say, to an overall water strategy.

With the current reporting that our lakes, streams, rivers are now experiencing 60-year lows, one only needs to visit Lake Winnipeg or Lake Manitoba to see first-hand the low water levels that are in those predominant lakes to appreciate that water management should be front and centre.

I would like to ask the minister of the progress of the interdepartmental committee on this very important task.

Ms. Mihychuk: I think there is a clear commitment or understanding by government that this is a priority. We made a commitment to Simplot that we would have water available for the expansion of the potato industry. We want to see continued expansion in the production of vegetables which are higher value but require additional management and investment. There are challenges in Brandon with environmental concerns and water usage at a time where we see drought both in Alberta, Saskatchewan and now in Manitoba. It has depleted our aquifers and ground water, and to replenish that, we know, scientifically it takes some time.

The need to manage water is absolutely essential. The member has been on this for several years, and I can tell the member nothing too new except that the Premier has publicly stated that he understands the crucial need to move forward on water.

I also understand from the rumour mill, there may be some Cabinet changes. So I, like the member, am looking for some renewal and focus on the water strategy, and I think this Government will move and deal with this very important natural resource.

Mr. Faurshou: I do appreciate and I acknowledge the minister's recognition of this important task ahead, but the response pretty much has been the same year over year in regard to a strategy that is long overdue.

We need to retain water so that we can manage it in the fashion that is in best keeping, whether it be agriculture or industry or domestic

or even tourism by which our province has become very well known because of the lakes worldwide.

I believe that we have to do this in very short order.

I will say once again that in reading the journals published in the American Water Resources Association, a recognition now of improved technology and the cyclical nature of our weather patterns and the pending mega-drought in the not too distant future, based upon the cyclical nature of the pattern that they have now determined.

To bring it into more current knowledge, in comparison, the 1930s' drought is a minor, minor drought compared to what we are heading into.

I cannot emphasize more the importance of the minister's position to, in street language, kick a few rear ends. It is to get this committee active. I will attest to the first-hand knowledge of the Assiniboine which is the primary artery for water for the Simplot production has been extraordinary low and causing no end to grief to those persons trying to irrigate from that water source: cavitation, silting, debris getting into the irrigation systems, no end to concerns.

I will leave it at that. I have said my piece, if the minister wants to respond. I know the honourable colleague from Inkster is anxious to ask questions.

Mr. Kevin Lamoureux (Inkster): Mr. Chairperson, I have actually two areas of discussion that I was hoping to get into. The first one is in regards to the garment industry as a whole.

I am wondering if the minister can inform the Chamber as to what degree would the department monitor specific industries. The one that I want to focus is the garment industry. In particular, I am told that there is a duty that is going to be lifted which could have a serious impact on it. If the minister could comment on that.

Ms. Mihychuk: Through the process of international trade negotiations, Canada has agreed to eliminate the tariffs and duties on the garment industry. Manitoba, Winnipeg and Montréal will be the hardest hit. Proportionately,

we have as many garment workers as Montréal. It has been a very important sector in Winnipeg's industrial history.

However, the reality is that the production of those garments can be done at a lower cost by developing and Third World countries. Many of our businesses are looking at the cutting and sewing factories being moved to other locations. We have been aware of this through attendance and briefings by the federal minister, Pierre Pettigrew. We are familiar with our challenges, having such a large garment industry. We have staff who are responsible, one of their areas of responsibility is the garment industry. We are in regular consultation with the association and with individual manufacturers.

There will be a significant change in the garment industry in Winnipeg. As was in the paper today, there was a discussion that the cutting and sewing will move, but we may see the development of more design and administrative services being handled out of Winnipeg. There will be a shift. There are going to be workers moved. There have been some preliminary discussions about those highly skilled machine operators from the garment industry moving into other areas which are in shortage.

Right at this moment it is problematic because, for instance, the aerospace industry which requires very precise machine operators is right now, unfortunately, in crisis as well.

These individuals in the garment industry have very high skills, are re-employable, can go through some training and are viewed by other industry sectors as very desirable workers. We will assist all workers in the garment industry to move into other sectors. We are aware of the transition and are working closely with the garment manufacturers.

Mr. Lamoureux: Mr. Chairperson, if I hear the minister correctly then, if there is a factory out there, for example, that is unfortunately having to lay off, but has openings in other areas of the factory, but it could involve some sort of retraining, if the department would be very much open to assisting in terms of the retraining that might be necessary in order to keep those people employed at that factory?

*(10:40)

Ms. Mihychuk: We are very interested in those circumstances. We would then work with the Department of Education to access their training funds which are housed in that department. That would be an example of how those workers could either be perhaps upgraded into the more higher end positions in the garment industry, Mr. Chairperson, or moved into other sectors, machining, manufacturing, aerospace or some other position. So, yes, we would be interested in knowing and will co-operate to see re-employment of those individuals.

Mr. Lamoureux: To what degree has the minister actually gone on tour of garment manufacturing facilities since being appointed as a minister?

Ms. Mihychuk: I have had the opportunity to tour Peerless and Nygard's facilities. I have met with the Manitoba Fashion Institute several times. We did participate in providing some funding for the Manitoba Fashion Institute incubator initiative and have been to the AGMs and then discussing the situation with members of the association and manufacturers over the last three to four years.

Mr. Lamoureux: Mr. Chairperson, I am encouraged to hear the comments from the minister.

I would suggest that she continue in terms of doing some of those on-sites. If she wants company, I would be more than happy to join her on some of those tours. Part of it, I believe, is this is an industry I think in which we have to be very careful of over the next few years. It employs a tremendous number of people. I do not believe that we need to concede a lot of the jobs that might on the surface look like we are going to be open to losing, that we in fact can compete. Someone had said to me that if they had purchased a denim shirt they would not have to pay a tariff on it, but to get the material in order to make a shirt, there is a tariff that would be applied to it.

I am wondering, some of it is federal responsibility, some of it we might be able to do it at the provincial end of it, but where we can I think that we have got to play a very supportive role for that particular industry, as we try to do in all industries, but giving special attention to

the garment industry over the next couple of years I think would be time well spent. I do not know if the minister wants to comment on that, she can. Otherwise, I will move into the next area.

The other area that I want to touch base on. The member from Lakeside had just made reference to it and that is the Provincial Nominee Program. I have long been an advocate. It is a program that was implemented back in 1998. I think it has tremendous merits both, as she had pointed out herself, economically, 40 million in 2002-2003, and that is just the economic side of it.

The social side is also of great benefit for the province of Manitoba. I think it is a program in which we can, in fact, expand upon. I would ask the minister to what degree does she—like in 2002-2003, there were 131 certificates issued. To what degree has her department established goals or objectives? What would they like to see come in through that certification, provincial certificates, in terms of actual numbers of certificates? Are we talking a couple of hundred a year on average? What number would she like to see?

Ms. Mihychuk: We have an agreement with Immigration, our own provincial Immigration, to take a proportion of the spots for PNP under the business program. The first year, we had 64 approved applications.

Last year, we had 131. This year, in the first four months, we have approved 103. So we will be exceeding our record from last year substantially. We are limited by the number of staff we have, our ability to settle, and the number of businesses that are available to purchase or create.

So the program that we manage requires an individual investor to set up a business here in Manitoba and move and reside here. There are still many people who are strongly encouraging government to look at the investment program. Really, our goal here is to build our population.

So it does take a bit more work. The settlement services are very important, but I think that we are on the right track. We are interested in increasing those numbers. I do not really have a target. We will manage as many of those applications within reason, and it has been

moving forward positively, and, as the member may know, 60 percent of our applications are coming from Korea. There is a lot of interest from Asia to move to Manitoba, and we have been very successful in that area.

Ms. Theresa Oswald, Acting Chairperson, in the Chair

Mr. Lamoureux: The Member for Lakeside (Mr. Eichler) pointed it out in terms of the economic benefits in terms of just the \$40 million. That is a lot of money that has come to the province, and I would emphasize the social component to the multicultural fabric of our province and how this has really, really benefited our province tremendously.

I think that we have not even scratched the surface, Madam Minister. I believe that the opportunities are far beyond maybe what some within this Chamber believe. There is a big roadblock that is there, and the minister quickly referred to it. That is the staffing issue. If we do not have proper staffing or allow for the potential numbers to be able to be properly processed, problems start to set in.

I believe in the other department that there have been some problems, and I will address those when we get to that particular problem.

But because this program is so vitally important to our province, I am wondering if the minister would seriously consider the possibility of expanding the numbers of people from within her department, of civil servants who have been around for a number of years or individuals who have the expertise to ensure that there is a proper process put into place, so that, in fact, what we are seeing is a minister who appears to want to be aggressively pursuing a program of this nature, and that she has the ability to increase those numbers.

I suspect that whatever numbers that she wants, that she is prepared to approve within the department, that she will be able to get that number in terms of certificates. The department should not be looking at it as, well, they are prepared, the Immigration Department is only prepared to give us X number of certificates.

* (10:50)

I am sure that whatever number this minister can justify, she will get from the Department of Immigration. Further to that, I suspect, as long as the Department of Labour and Immigration provincially do not abuse the program and have proper protocols and processes in place, the federal government will continue to allow that to happen as long as we ensure that we have a proper process, proper staffing and that people are not being exploited. That is a very critical issue. The only way we ensure that does not happen is that we have to take the politics out of it, put the civil servants in it and make sure that they are being properly financed. At the end of the day, Manitobans would benefit tremendously. The more aggressive that particular department is on this issue, the more internal wealth the province is going to have, the richer our multicultural society here in the province will be. It is a win-win.

The question specific to the minister is to what degree is she prepared to bring more people from within the department, within the civil service, to meet the demands of that program, because I am sure that we could do a lot more if the political will was there to do it. The only caveat I would put on it is that we do not politicize that particular department, go with long-term civil servants.

Mr. Chairperson in the Chair

Ms. Mihychuk: The record shows that, when the program started three years ago, we had one individual, last year there were three staff and this year there are seven staff.

Part of the challenge is the administration and ensuring that the settlement services are available, that there is follow-up, that we try to avoid those that may not have the same goals and objectives as we do from taking advantage of the program. We do not want any scam artists, quite frankly. We want real, legitimate families moving to Manitoba. It is a growing endeavour. I am onside with the member from Inkster. I believe Manitoba could settle much more than 10 000 per year, which is our target right now.

I represent a community made up of fairly recent immigrants. I have seen the positive that

they have done for our community. I am a very strong proponent. I also believe that if we could deal with the accreditation issues, which are very complex, I would like to see a loosening up of what we call skilled workers. I am a very big proponent of open doors in Manitoba and believe that we will grow because of them. That is our history and it has been very positive.

In terms of the business program, I think there is a sense that we need to be cautious. We need to ensure that these people establish their businesses here, that they grow and they stay. Moving from one employee to seven staff over three years shows that we are committed to the program and will continue to do so.

Mr. Lamoureux: Mr. Chairperson, I know we want to pass on this particular department. I am pleased with the minister's remarks. It is good to see areas where all political parties are in complete agreement.

I remember on the side in the loge when the then-Premier, Mr. Filmon, had commented on the value of this particular program and the potential. It came in back in '98 and we have seen, the minister has pointed out the numbers, fantastic potential. I am pleased to hear her comments and trust that the proper resources will follow to ensure that the process is fair and aboveboard in her department.

Mr. Eichler: Just to close probably on that issue, I would like to make a couple of comments for the record. I believe slow and steady wins the race. I, too, would have some concerns about rapid growth in this particular department.

There are challenges, as the minister has pointed out. It is fine to get the provincial nominees in and get their businesses up and running but we need the workforce to go with that. I see nothing wrong with the numbers. I think they are flowing along just fine. I would not like to see a rush put on this particular program. I think she is doing a fine job and keep up the good work.

I am ready to now move into the Estimates.

An Honourable Member: Ralph, you could give me a raise.

Mr. Eichler: We will vote on that shortly.

Mr. Chairperson: Order, please. The last item to be considered for the Estimates of this department is item 10.1.(a) the Minister's Salary contained in Resolution 10.1. At this point we request the minister's staff leave the table for the consideration of this last item.

The floor is now open for questions. Item 10.1.(a)—pass.

Resolution 10.1: RESOLVED that there be granted to Her Majesty a sum not exceeding \$3,714,700 for Industry, Trade and Mines, Administration and Finance, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

Resolution 10.2: RESOLVED that there be granted to Her Majesty a sum not exceeding \$17,259,300 for Industry, Trade and Mines, Business Services, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

Resolution 10.3: RESOLVED that there be granted to Her Majesty a sum not exceeding \$8,309,600 for Industry, Trade and Mines, Mineral Resources, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

Resolution 10.4: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,578,100 for Industry, Trade and Mines, Community and Economic Development, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

Resolution 10.5: RESOLVED that there be granted to Her Majesty a sum not exceeding \$221,500 for Industry, Trade and Mines, Amortization and Other Costs Related to Capital Assets, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

This concludes the Estimates of this department. The next set of Estimates that will be considered by this section of the committee are the Estimates of Energy, Science and Technology.

Shall we recess briefly to allow the minister and the critic the opportunity to prepare for the commencement of the next set of Estimates?

[Agreed]

The committee recessed at 11 a.m.

The committee resumed at 11:01 a.m.

ENERGY, SCIENCE AND TECHNOLOGY

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 Energy, Science and Technology.

Does the honourable minister have an opening statement?

Hon. Tim Sale (Minister of Energy, Science and Technology): Very briefly, I am honoured to be the first minister of this department. It is an exciting, challenging department and I look forward to discussion of our Estimates with my critic.

Mr. Chairperson: We thank the minister for those comments. Does the Official Opposition critic, the honourable Member for Springfield, have an opening statement?

Mr. Ron Schuler (Springfield): Very briefly. I think this is an historic time for the province. Probably a department like this, whether a facsimile or this department exactly, was a long time in coming. It is the first time the department has been in Estimates and for me that is very interesting, of course, being the critic. I look forward to going through and trying to learn where the Government intends to go with this new department.

Mr. Sale: Mr. Chairman, I think that we have agreed that we would consider the Estimates as a whole but I think there also may be an agreement that we may sit till one o'clock. I do not know whether that has been dealt with procedurally by leave or not. I think the view was that we would attempt to, if possible, conclude the discussion and pass this section at that point, if that turns out to be possible. I think

the House leaders had that agreement, but I do not know if procedurally we need to do anything.

Mr. Chairperson: The matter is beyond the scope of this committee. It has to go back to the House and the House leaders and the Speaker. We have to take a recess. Call in the Speaker. Then the agreement will be in place and then we go back to committee.

Under Manitoba practice, debate on the Minister's Salary is traditionally the last item considered for a department in the Committee of Supply. Accordingly, we shall now defer consideration of item 18.1.(a) and proceed with the consideration of items referenced in Resolution 18.1.

At this time we invite the minister's staff to join us at the table and we ask, also, that the minister introduce the staff in attendance.

Mr. Sale: Mr. Chair, we are joined by my Deputy Minister John Clarkson and by Craig Halwachs, who is our Director of Finance and Administration.

On the organizational chart, John Clarkson is the Deputy Minister. It is on page 4, my honourable critic. The Director of Finance and Administration, Craig Halwachs, is sitting opposite him. They are both good looking, so I cannot distinguish on that basis.

Mr. Chairperson: Does the committee wish to proceed through these Estimates in a chronological manner or have a global discussion?

An Honourable Member: A global discussion.

Mr. Chairperson: Is that agreed? *[Agreed]* Global discussion. The floor is now open for questions.

Mr. Schuler: Again, I would like to say this is a very interesting time, not just for the minister, but for myself. It is a new department; it is a new creation, and I would like to take this moment to congratulate the minister on being appointed the new minister for Energy, Science and Technology. If the minister would turn to page 4, if he could very briefly go through the organizational chart and, if possible, can he just tell us where each of the senior staff came from

because I understand this is now a pulling together of individuals from various departments.

Mr. Sale: I may need some assistance on some of this, but I will do the best that I can. The member will know that pieces of this department came from Industry, Trade and Mines, Department of Finance, from Conservation, Climate Change branch, for example, and the Energy Development Initiative as well.

So, starting from the top, John Clarkson was an Assistant Deputy Minister in ITM, Industry Trade and Mines, and Jim Bakken is responsible for the development of over 600 community access sites, the big Community Connections program that we have that is a federal-provincial agreement that has been an outstanding success. I do not think you are worried about secretaries, where they came from, but Rachel was John's secretary, I believe, in his previous life. Craig, I believe, was with ITM.

What we do, for the critic's information, is that we have shared all the back office staff with ITM, so we have not increased our admin support.

We essentially use, for the two departments, we use a common admin support staff, but Craig shows up on our rolls. Others we use show up on ITM's rolls, but in total, it is no more than we had before there were the two departments.

Trevor Cornell has been the CEO of the Industrial Technology Centre which was formally part, it is an SOA, and it was formerly part of ITM, responding to ITM. Melanie Schade who is our Director of Human Resources, is a shared position as well with ITM. Geoff King, who directs the knowledge-based enterprises component of our strategies, is an ITM person. Louise Smith is also ITM.

Cynthia Fridell came from, she is really the director of LBIS, which is Legislative Building Information Systems, and so she has been there. She simply now is part of our overall Information Technology support system, but she

still heads that up. Her job has not changed, I guess, is the way to put that.

David Primmer was previously with Finance, the Office of Information Technology was with Finance, reported up through Treasury Board. Garry Hastings was the previous director of the Energy Development Initiative, and is now responsible for enlarged duties in that same area but in our department.

Doug McCartney was also with ITM, the Life Sciences, which is all of our biotech health research activity was ITM. Maurice Montreuil was also related to ITM. So most of our senior management came through the ITM stream, but a number of our staff came through other streams.

Point of Order

Mr. Chairperson: The honourable Government House Leader, on a point of order.

Hon. Gord Mackintosh (Government House Leader): Mr. Chair, would you canvass the committee to see if there is agreement to temporarily interrupt the proceedings in the Chamber here in Supply to call the House into session to deal with the Estimates sequence and the sitting hours for today?

Mr. Chairperson: Is there agreement to temporarily interrupt the proceedings of the Committee of Supply to call the House into session in order to change the Estimates sequence and the sitting hours for today? *[Agreed]*

* * *

Mr. Chairperson: Call in the Speaker.

IN SESSION

House Business

Hon. Gord Mackintosh (Government House Leader): Mr. Speaker, would you canvass the House to see if there is agreement for the Chamber section of Supply to sit to 1 p.m. today, and would you see if there is agreement to also change the Estimates sequence so that the Estimates of the Department of Sport will now precede the Department of Labour and Immigration, and for the departments of

Advanced Education and Training, Seniors and Status of Women to follow Sport.

Mr. Speaker: Is there agreement for the Chamber section of Supply to sit until 1 p.m. today, and would you also see if there is agreement to change the Estimates sequence so that the Estimates of the Department of Sport will now precede the Department of Labour and Immigration, and for the departments of Advanced Education and Training, Seniors and Status of Women to follow Sport?

Is there agreement for the Chamber section of Supply to sit until 10 p.m. today—

An Honourable Member: 1 p.m.

* (11:10)

Mr. Speaker: Boy, I have to fix this up here. It is my eyes.

Is there agreement for the Chamber section of Supply to sit until 1 p.m. today, and would you also see if there is agreement to change the Estimates sequence so that the Estimates of the Department of Sport will now precede the Department of Labour and Immigration and for the departments of Advanced Education and Training, Seniors and Status of Women to follow Sport? *[Agreed]*

We will now resume back into Committee of Supply.

ENERGY, SCIENCE AND TECHNOLOGY (Continued)

Mr. Chairperson (Conrad Santos): Committee will resume its proceedings. The floor is open for questions. The honourable members of the minister's staff, please come back.

Mr. Ron Schuler (Springfield): Could the minister tell the committee approximately how many people work for his department, how many total staff does he have?

Hon. Tim Sale (Minister of Energy, Science and Technology): If the member would turn to page 11 of the Estimates supplement, the detail is there. There has been no change from when the department was established, in other words, if you took all the pieces that were flapping

around in other places and put them together, there would be no change in the total numbers. There have been some changes in the priorities and some moving around a bit, but, 141.12. I am not quite sure which part of the person is the .12. Frankly, at that decimal point I do not think it is going to make any difference.

Mr. Schuler: The department's main office, its physical office, where is that located?

Mr. Sale: The bulk of the staff is moving to and I think already in the Paris Building. That was an initiative with the Winnipeg Chamber of Commerce; the Department of Industry, Trade and Mines; Destination Winnipeg and ourselves to put a presence downtown in a focussed way, where we would be seen to be working together to develop our business community, whether it is in the ITM area or in the Energy-Science or with the Chamber. That is where the bulk of our staff is. There are some staff in other buildings but not large numbers.

Mr. Schuler: Approximately how many staff will be housed in the Paris Building?

Mr. Sale: When I gave my previous answer, I probably should have indicated to the member that many of our Information and Communication people are in a variety of places. The bulk of the Science, Innovation and Business Development staff, 22, will be in the Paris Building.

Mr. Schuler: Is it fair to say that you have a considerable amount of staff still with I,T and M. They are housed there, but they work for Energy, Science and Technology? Is that fair?

Mr. Sale: As I indicated, it is a co-location process, but all of the SYs that you see on this page are in the Department of Energy, Science and Technology. They are not on loan or on secondment or anything else. They are in our establishment as a department. I do not think this is any surprise to the member, but we have, over the last number of years, worked very hard to get more horizontal team relationships on projects and with other departments, rather than the silos that government used to be famous for, so we are co-locating in the Paris Building, but that does not change the reporting relationship.

Mr. Schuler: So is part of the plan to have Energy, Science and Technology work fairly closely with I,T and M? Is it because there is a lot of, to use the former Minister of Education's analogy, a lot of symmetry between them? Is that a fair assessment?

Mr. Sale: We work very closely with their business development side. They run the loan programs, for example. They essentially have the budget lines for feasibility studies, support of trade missions, that sort of thing. We on the other hand have a particular and very major mandate around biotech and the development of new industries in the biotechnology, health, like sciences, field, the commercialization of research opportunities. We have a very strong team of specialized people who work for those opportunities, but because we share back-office support, we are trying to keep administrative costs down. That is generally the answer to the member's question. Yes, we do work very closely with them, but they are not the only group we work very closely with.

Mr. Schuler: The name itself is very intriguing. You have got energy. You have got science and technology. For the minister, where is the big focus in the department? Is it on the energy side, science, or the technology side? Just the thinking behind putting those three together obviously as compared to Industry, Trade and Mines, I guess the argument could be made that under industry technology would fall, but obviously there is a reason why technology was pulled out of industry and put into a department with energy and science. What was the thinking between those three as compared to Industry, Trades and Mines, again keeping in mind that obviously there has got to be a lot of working together between the two departments?

Mr. Sale: I would like to thank the member for that question because in some ways I could just answer yes, where is the focus. The focus is not on any one of those three. If I take the member to a report which I hope he has had a chance to look at—if he has not I would be very glad to make sure he has a copy. I think he probably does, but to make sure he does, and if he would like to have a briefing from our staff on the report, I think he would see in that report and in a briefing why the three fit together very well.

The report is on innovation. It is our innovation report. I do not know if the member has a copy, and perhaps we could ask our department to bring a copy in for the member and maybe one for me too, because I do not have one here either.

In a conceptual framework, the way in which an economy evolves is through innovation because it is out of innovation that you get new productivity, and it is out of productivity that you get new wealth. If you do not innovate and increase the efficiency of production, then it is very hard to generate new wealth in an economy. As a government, we have taken the view that the key to our future economy in Manitoba is to embrace fully the meaning of innovation in our economy. That means being willing to focus on strategies that drive innovation in particular fields that are susceptible to innovation.

* (11:20)

If you think about the fields that are probably easiest, most susceptible to innovation, they are fields around technology, particularly information technology, but all technology in that area, biotechnology in particular. As we get into the ability to manipulate matter at the molecular level as opposed to looking at it at the cellular level which is—when I went to university, we were really excited to see inside a cell. Now, we get excited when we see inside molecules and are at now nanotechnology at the subatomic level.

What the innovation report says is that there are a number of key areas for any new economy. It does not just have to be Manitoba, but any new economy. If a government wants to have a skilled labour force, an appropriate infrastructure, particularly information technology infrastructure, a particular availability of the capital, seed capital, angel capital, as well as the mezzanine level and then the capital that leads to commercialization and the success of a company. These are things that will be keys for any future economy.

When we say Energy, Science and Technology—maybe we could give the member one of the copies—those are the fields in which innovation and investment can most productively be made. So when he is asking for a priority, it is more of a priority on rewarding

and seeking innovation. For example, wind farms have moved in the last 10 years to be somewhere around a fifth of the cost per kilowatt hour. Now new wind is competitive with or cheaper than, in the United States, any other new form of energy.

This requires a quantum change in how we think about energy. Instead of being focused in one big plant, whether it is nuclear, coal, natural gas or a dam, you now have a system that is much more distributed.

I know the member is very familiar with information technology. In some ways it is the same thing that happened when we brought personal computers in. We used to be dependent on dumb terminals and micros or mainframes. Once you brought in laptops and desktops, the distribution of knowledge and the distribution of communication fundamentally changed the way we do business. That is an innovation that nobody would, I think, argue that the world is the same as it was before the Internet.

The Internet has changed the way we think about information. It has changed the way we can do business because we do not need to be in a particular place now to do business. Sometimes that is an advantage and sometimes when your phone rings at two in the morning, it is not. But it is a reality.

So our department's job is to be on top of innovation opportunities, partnering with the knowledge developers in the private and public sectors, universities and private sector, partnering with those who are taking that knowledge and finding how it can be applied, commercially applied or applied to government processes, whatever they are, and spurring that innovation activity. Whether it is in biotech, science, life sciences, information technology, energy, that is our job.

I am not being cute when I say there is not a priority within those three areas, because those three areas are intensively linked. You cannot run a modern power system without a great deal of information technology. For example, our broadband capacity up through the Interlake and up to Gillam and ultimately to Churchill puts a fibre-optic cable that is owned by Hydro all the

way up to Gillam now. Now, you cannot run our hydro system without that technology, but that cable gives us an opportunity to provide high-speed access to any community that is within wireless distance of that fibre-optic cable.

The fact of being able to run the hydro system well spills over in it being able to put First Nations and other northern communities into the same kind of competitive arena as any other community that has broadband access. There is science involved in that. There are small start-up companies in Manitoba involved in it. It is very hard to see where information technology leaves off and science begins.

I have a degree in science, in biology, and when I graduated there were no computer applications of any substance in anything I did. I had a slide rule, which I never learned to use very well, actually, but those boundaries have just virtually disappeared now. So our department is in that kind of boundary-less integration of successive innovations, and we can talk about them, but I do not want to go on too long on that. But I am trying to give the member a sense that we are not organized in silos now; we are organized in teams. The teams work across. If we are trying to work with a biotech company to bring them here, we have Hydro involved, we have broadband people involved, we have our businesspeople involved, we have Education and Training involved. These teams come together, work on a project, hopefully succeed. Then they go on to the next project with a different team.

Mr. Schuler: A key word that the minister uses is innovation, and innovation is about freedom and I think that is something that the Internet has given intellectual thought. Before, if you had something new, and usually new and innovative tends to be seen by a group in society as pat, and you try and put that down, and often great ideas were suppressed like, for instance, that the earth was round—that was really out there.

Today, the Internet just allows that kind of freedom and that is where innovation is allowed to flourish. The minister basically has said, and I do not want to paraphrase him, that innovation is sort of the umbrella over it all. That is sort of where you want to go with all this. Is it the attempt of the department to try to move the

economy of Manitoba, because innovation means new, into new and innovative areas? Is that fair?

Mr. Sale: I think it is fair. I would not want though to leave the impression that we would not be working with existing and very successful industries to strengthen what they do and to see what new opportunities there are. I will give the example of a company called Cangene. It is one of Apotex's fermentation subsidiaries, but it is certainly one of our most successful biotech companies.

They came with us to BIO 2003 which is an international gathering of everybody that does anything in biotech. They have been very successful in gaining contracts from the United States government, and they are poised for some very, very exciting opportunities that link them—the member may have seen the press story—to the CDC in Atlanta, that link them to us in our Level 4 lab here.

I think that when you have a kind of innovation mindset, what you are looking for are those opportunities which are not, perhaps, obviously connected. So, you know, is there a connection here? Is there a connection, Mr. Chair, between T R Labs, which the previous government began funding about 10 years ago? I would think it is now, because they saw an opportunity to increase, along with Alberta and Saskatchewan. It is a shared operation with the three governments. I do not think B.C. is involved is it? No. It is the three Prairie provinces. They saw an opportunity to make a major investment in an information technology strategy that was in between the pure research of the university and the applied research or the application of that research in the private sector or in the public sector but primarily in the private sector.

*(11:30)

It is a consortium of private and public companies that funds a collaborative research approach. What comes out of that, because people like Nortel and MTS, I think, will be, I am not sure it formally is, but will be I hope, other big IT companies, small start-up companies, major partners in other technology fields with some government support they are working together. So somebody over here in a company sees an opportunity related to this; they

set up a third group to exploit that. That has been a very successful strategy. T R has a very impressive wall of patents granted to its scientists. If the member has not had a chance to tour that facility, I would urge him to go and take a look. It is in SMARTpark at the University of Manitoba, and it is a very, very interesting, very exciting place.

Mr. Schuler: The minister is absolutely right in that often we spend lots of time looking for companies outside of our province to come in and we miss what is in front of us.

There is a great story about Switzerland and the quartz watch movement. Until that point in time, it was still the old system. The individual who discovered the quartz time movement went to one of the Swiss makers and I do not know which one it was and presented the concept and they said: Oh, no. No, no, no, no. They were not interested in that newfangled stuff. The individual went to Japan and the rest is history.

Basically, Switzerland lost out on an unbelievable opportunity and it was right there. It was right there, right at their fingertips. That is a problem, that often we miss things that are obvious. What is interesting about the story that I just related to the minister is not just is it about innovation.

I would caution the minister and his Government. We might have a few philosophical differences on the economy that innovation is very important, but just as important is entrepreneurship. Once the idea is there, it takes somebody to say: Wow, that is a good idea.

There has to be that moving of a good idea and putting it into practice. The philosopher comes up with all kinds of great ideas, but you still need somebody to synthesize that down that you can actually use. I would just point out to the minister that I agree conceptually with where he is going, that innovation is very important, whether it is local or bringing others in, but entrepreneurship is then what drives it in the economy.

Often, what is the initial innovation is not quite what will sell to the general public. It takes a lot of change. There are a lot of modifications

that have to come to it and then it becomes saleable.

I want to move on because we are terribly pressed for time. The minister touched on wind power. He sort of laid out, if I may, almost philosophically, where the department wants to go. I want to move from innovation now to entrepreneurship. We can sort of move that way.

Where are we as a province? I will start with wind power because that was an example he brought up. I understand one of the largest wind towers has now gone up on the East Coast. I saw it on the news and where are we with that?

Before I hand it over, for instance we were driving from Phoenix, Arizona, to Los Angeles and we were looking for the resort right inside California, Palm Springs. We are driving on the highway and there is a sign Palm Springs and there is this wind farm. It is just enormous, just enormous. I said to Tanya, certainly this cannot be Palm Springs, but of course it is off the highway quite a ways. It was interesting to see.

Is that something the Government is looking at? How do we get it from that innovative stage to actually making it happen? Where is the Government sort of going with that?

Mr. Sale: I will try and respond to that, but I did want to just make a brief comment on the previous point and suggest that the member should look at the executive summary of the Innovation report. I agree with his comments. If he looks on, actually the page is not numbered, but it is about the third page in. They are numbered in their funny little way here. Tabs, page 6.

He will see that there are four elements of the continuing cycle: knowledge creation, new product process, service development, business development, growth and attraction and the beginning of the cycle again. In here, in terms of the overall goals, I will not spend time on it, but I commend it to his reading. It is exactly what he was talking about. The recognition is that the best thing we can do is grow our own companies. The second best thing we can do is bring new companies here, but it is the companies that grow from here, stay here.

That is our priority. That is what we do, I think, really quite well. I will not spend any more time on that. I will try and answer the other question if that is okay with the critic.

In terms of wind, just to say first that we have an evening committed next week, the 24th from 6:30 till the cows come home or later or earlier for Hydro. These would be good questions for then but I will be brief in a response. We currently have 17 wind monitoring towers up in a variety of locations from Grand Rapids down to the American border. Hydro has seven of those. Those locations are all public. The other 10 are private companies, such as Shell and a company called Sequoia Energy. They are scouting wind locations.

If the member goes to a wind map from the United States Department of Energy and from Environment Canada, he will see that the plume of wind that comes up through the Great Plains goes into Saskatchewan and Manitoba, the southwest and southeast parts of those two provinces. I have learned a bunch of new terms. That wind quality, I am going to talk about the Chamber someday in terms of wind quality but anyway, that wind quality is the sort of Class 4, Class 5 level. Within that plume though, it is very important that you locate your turbines very accurately in terms of what the actual wind conditions are. Moving a turbine a hundred metres can make a difference in an overall annual wind production.

At least two companies are in detailed discussion with us around power purchase agreements. I am not able to tell you about those because they are commercial, confidential negotiations but they are essentially the purchase of power by Manitoba Hydro from wind developers. I have been following these discussions closely and I am very pleased with the way they are going.

The member would probably have seen in the press, particularly if he checked with the member from Carman, substantial coverage of open houses that have been held in the Notre Dame de Lourdes and St. Leon areas where a private company has been very public in its community development activity around securing wind rights and working with farmers and local municipalities. They are well advanced

in their planning. It is a very exciting time for that activity. I cannot give the member dates, but I am very pleased and optimistic that we are moving in a good direction.

Mr. Schuler: At this time, though, there are no wind turbines in existence right now in Manitoba. Is that correct?

Mr. Sale: That is correct.

Mr. Schuler: Does the minister see, will it take a year, is this a five-year, is this a ten-year process? How long is it going to be before we see some wind-driven turbines?

Mr. Sale: That is a very good question. The advantage of a wind farm is that you can erect it very quickly. Because there is so little environmental effect, most jurisdictions have simply licensed them without any great difficulty. The new turbines are a solid steel tower in the first place, so there is no place for birds to nest and get themselves tangled up. The speed of the blades and the size of them is such that because they are so big, you can see them, follow them with your eye. It is not as if a bird would fly into it because it is the same thing as anything else that is moving, the bird would see it. The damage issue is just not there.

* (11:40)

They sit on a footprint which would be less than the distance between my desk and the critic's desk. The farmers can farm right up to the base of the turbine, but they lose, you know, a matter of square feet or metres as opposed to acres, so they are very quick to erect. What is the deciding factor for Manitoba is that we have very affordable, inexpensive energy. So, in other jurisdictions with higher energy costs, it is very easy to make a case for when, no problem, it is a slam dunk. In our situation, with very low energy costs they are more marginal in terms of profitability for wind developers.

That said, we have no shortage of commercial developers who are putting up wind towers. We expect to have quite a few more, 17 will be up within the next few months. As I told the member, there are projects that are in a very advanced state of negotiation. Those are

negotiations between Hydro and the proponent and they are being carried on on a commercial basis. There is no subsidy here and there will be no subsidy, but it is a question that is related to our power costs. Now it is easier to do a wind farm where power is costing you 10 cents a kilowatt hour today, than when it is costing you 5, because wind is coming in at around 5. So that is the profitability question the proponent has to sort out.

Mr. Schuler: So the Government itself is not looking at doing any of this itself. It is either going to be an industry driven by private concerns or by Manitoba Hydro. Is that a fair assessment?

Mr. Sale: Mr. Chairperson, the Government is not in the power production business, so we are not anticipating the Government undertaking directly. Manitoba Hydro has a mandate in its act to develop and supply efficient, affordable, reliable power. Pretty well every utility in North America is looking seriously at having a component of their power production coming from new renewables. You know, 99 percent of our system is renewable. It is water based and all of the new dams that we would be proposing in the next quarter century, or less, in the time frame are all run over the river dams with extremely low impacts, but wind is a very, very valuable adjunct.

Wind is a power that you have to firm up. You cannot say, well, I have a wind farm; I will sell you power, because what do you do the day the wind does not blow? So, when you connect that kind of variable generation to a hydro system, you get the best of both worlds because you use the wind power when it is blowing to stabilize your reservoir. You do not need to then draw down water from your reservoir.

It is very hard to use wind in combination with, say, a cold system because you cannot shut down your cold plant, you know, at noon today because the wind stopped blowing or started blowing. You have to twin wind with other energy production that can be adjusted to what is happening on the wind side. That is where Manitoba has an advantage over all other jurisdictions within our sort of catchment area. There is nobody else that has any substantial

hydro resources available, and that is why wind is very exciting to us.

Mr. Schuler: I appreciate the minister pointing out to me and reminding me about Wednesday night's meeting, Wednesday coming up, with Manitoba Hydro. I suspect there will be a substantial body of questions that will be coming forward and I—[*interjection*]

An Honourable Member: Perhaps on some other issues.

Mr. Schuler: And on some other issues. I do not suspect that this kind of philosophical discussion—it might just be me, but I doubt that that meeting will break out into that kind of discussion, but that is probably just my not wanting to bet too much on it.

I think it is important to understand where this department is going. I do not want to ask intimate details of Manitoba Hydro. It is more about the way Manitoba Hydro fits into the—and just so you know, I am looking at the Kyoto accord commitments. I mean, that is really what I am trying to get at, so I do not want to make this a Hydro meeting. I understand that is coming, but where I am going with my questioning, I do not think my questions will be coming forward at that meeting.

My next question, and I know the minister wants to comment on that, is Manitoba Hydro looking in the next year or so at putting some wind-driven turbines up?

Mr. Sale: Mr. Chairman, I think the answer to that is that I cannot answer that question directly because it is a commercial, confidential issue. They are in an agreement which we announced I think in February. I believe it was in February we announced the agreement with Shell Canada. They are jointly in separate locations monitoring wind, and they have an agreement that if there is deemed to be a commercial opportunity, that they have the ability to jointly undertake a project. We announced at the time, I think in February, that most people say you need at least a year's worth of data before you can be confident that you have got a commercial resource.

So whether by February or March, within the spring, the two companies involved feel that they have a commercial opportunity and therefore want to pursue it, I cannot speak for that because I have not seen their data for a long enough period of time to be able to answer.

But that is how Hydro is involved. Hydro also has an internal goal. I do not mean that it is not public but their own goal of getting at least 250 megawatts of wind. To put that into perspective, that is about 175 turbines, so that is a lot of turbines. In round terms, it is a \$400-million investment to get to that level, and they are putting that over the next five or so years.

So plans are active, but you have to do it on the basis that you know the wind resource is there. There is no sense investing in a wind farm if you are not going to get power out of it that makes it economic, and these are economic decisions.

Can I just add one other thing for my critic? The Energy Development Initiative, EDI, is really where these questions focus, because it is Energy Development Initiative's job to work with Manitoba Hydro, to work with our hydrogen strategy, to work on biomass, biofuels, The Biofuels Act which we introduced and will be re-introducing in the new session when it starts.

So Energy Development Initiative is not just about hydro; it is about all forms of new or renewable energy, everything from methane capture using digesters to deal with pig and other animal manure to both clean it up and get methane off of it, so that we get into cogeneration situations. So EDI has a much broader mandate than just hydro.

Mr. Schuler: I would like to ask the minister how things are going with the whole ethanol industry. I know it was very topical about seven, eight months ago. I mean, it was really being cranked up.

In fact, I happened to be watching the news—no, I was watching CPAC last night, late last night, and they quoted the illustrious Leader of the provincial Liberals in Ontario, and he spoke about five plants, and I cannot remember how

much they were going to produce. That was his commitment and it was going to create I think he said 3000 jobs. It was about 20 after midnight last night. I do not want this committee to think that I am a political junkie, that I stay up all night watching CPAC, because I do not want to leave you with, you know, politics is not just—well, I will leave it at that. But it was interesting, and he has a tendency to let his mouth get much further ahead than where his thought process might or should be. He got on a wagon and drove it about all the, whatever.

* (11:50)

Where are we now? I understand that there had been a discussion about three ethanol plants. One was going to be in Beausejour. One was going to be in the southwest, and one was supposed to be on the eastern part, but sort of the middle of the eastern part. It is funny how it just completely escaped me now where they were supposed to go.

An Honourable Member: Russell.

Mr. Schuler: Thank you, Russell.

Where is the Beausejour ethanol plant? Are we close to something? Obviously, some viability studies had to be done. Can the minister tell us where are we with that entire issue, his discussions with his federal counterpart? Are we looking at a national? We had talked about this. I do not know if the minister can recall that my feeling was that this should have been a nationally mandated 5 percent or 10 percent. There was that whole discussion. Where are we now with the whole ethanol issue?

Mr. Sale: Mr. Chairman, I want to ask my critic that, if he feels that he is getting too long an answer, he will interrupt me because this is not a sort of simple area. If you feel like we need to focus more, I hope you will indicate.

First of all, we have made a commitment to a mandate which is a 10% mandate. The actual implementation of it may not be exactly 10 percent but that depends on some technical issues as to whether it is 9.9 percent across the system or 10.3 percent, but it will be in that area.

We have made a commitment that we will introduce that legislation in December. It will be,

obviously according to our new calendar, law by June at the latest, according to our agreement about how the House processes work. We did introduce that legislation last spring. We will be reintroducing it again.

The process of getting an ethanol mandate into a jurisdiction is complex. You have to get agreements with blenders and fuel producers, so Shell and Co-op and Esso, mainly Shell, and Husky. They have to agree to how you are going to blend it because they distribute that gas that they produce in Alberta all across western and central Canada. If you are going to have a mandate in Manitoba, you have got to make some agreements with them that our fairly complex.

We began meetings with them many months ago and we are well along in those technical means. We have developed a manufacturer's agreement which is the sort of legal agreement between the Province and a manufacturer. Those are in the hands of the manufacturers who are interested in locating here. We have taken the position that we as a government ought not to be calling the shots on how big a plant or where. These are market questions that are best decided between the producers and the potential communities in which they want to locate. Our job is to make sure there is a level playing field for people and that we make it clear to potential producers that we expect there to be local benefits from these plants.

We expect it to be in the form of either participation in the equity of the plant or participation in agreements around supply of feed stock or in the case of smaller plants, integrated feed lots. We made it very plain that this is an economic development strategy as well as a fuel substitution strategy. We have had very good responses from six or seven communities up in the Parklands area, in the Interlake area, in the Beausejour area, the Killarney area, Roblin-Russell, in that part of the province, Minnedosa itself.

We have had very good response from communities and the Chamber of Commerce has expressed its support for the approach that we are taking. We are not trying to create a government-makes-decisions-about-where out-

come. We are not talking about three plants or four plants or one plant. We are saying those are commercial decisions that are best left.

What we are saying is that we are supporting the development of this industry to produce about 140 million litres of ethanol around the fall of '05. We would like to say September, but around the fall of '05. We are working hard to meet that goal.

There are two ways to produce the starch out of which the ethanol is ultimately refined. You take the starch and sugar, ferment the sugar and get the booze off the other end. You can do it either through taking a protein product and stripping the starch out of the protein, or you can get it through cellulose. There is a company called Iogen, which is a research-based company that is currently operating a pilot plant in Ottawa. It has been very strongly funded by the federal government and by Shell International, very significant money, to produce ethanol from cellulose, obviously a real commercial advantage there, because straw is not a waste crop but it is a very abundant and very cheap crop. In terms of inputs, frankly, it is a very nice way of having that carbon cycle used in a very efficient and cheap way. However, that technology is not ready and may or may not be ready within one or two or three years. That is the plan that you are talking about in the Killarney area.

At the same time, both Iogen and the more traditional producers agreed that those plants are not either/or. They are actually quite mutually compatible, because the feedstock for a traditional plant might be the head of the grain and the feedstock for the cellulose-based plant is the stock. The output from a traditional plant is feed that is an extremely good feed for cattle and pigs and goats and chickens. It is called distillers grain. That grain is as high as 42-43% protein. It is very high, no starch in it. So it is a very good feed additive.

On the other hand, the output from a cellulose plant is lignin, which is kind of like coal. It is a heavy carbon fuel that you can burn. It could be burned in Hydro's plant in Brandon. Because it is part of the existing carbon cycle, it does not add to our CO₂ burden. We are

essentially recycling straw on an annual basis. It is going to be recycled anyway through the natural processes of degradation and incorporation in the plant cycle.

That is where we are. We have three or four major producers, the largest ones in the country, who are actively scouting communities, doing engineering studies and basically optimistic, but I think the member probably knows that the BSE crisis is also a difficulty for ethanol production, because one of the outputs of the plant is a feedstock. We have to be able to have a livestock industry to consume it. Right now everybody is a little nervous about making a commitment until the border is reopened and we know where we are going on that.

Maybe the last thing that I would add here is that the economic advantage for Manitoba is not only in the employment, which is relatively modest. An ethanol plant might employ around 30 to 40 people. I think 3000 is probably a slip of a zero or two. It is in the fact that you now have, first of all, more rural economic investment and real jobs. Thirty jobs in a small community equates to an awful lot of jobs in Winnipeg. First of all, there is the direct employment opportunity. There is no question about that.

The real advantage is you have a market for farmers' straw or grain that is a secure market because the plant is there. It is not going to move. You are substituting domestically produced fuel, ethanol, for imported fuel, gasoline. That money that used to go essentially out of the province now circulates in the province. It is roughly \$50 million a year, \$55 million a year. Plus, we can substitute the distillers grain which is produced by the 140 million-liter production level for about 300 thousand, I think it is, but could ask staff to check. It may be a little higher—tonnes of imported soybean meal.

We currently do not have enough feed grains to supply all of our livestock industry. We import about 300 to 400 thousand tonnes of soymeal at, I think, on the order of \$250 a tonne. You substitute a domestically produced feed; you are talking about in total substituting over \$100 million worth of circulation within Manitoba's economy for money that used to go

out. When you do the math on that, there is obviously a significant advantage to government as well as to the local communities.

I apologize for the long answer.

* (12:00)

Mr. Schuler: I guess a concern that I would have is, I know there is a target of fall 2005 at which point of time the Government would look at some kind of percentage mandate. The minister did touch on the BSE issue which clearly has unnerved, I think, a lot in the rural economy because, before you are going to jump into the economy, you are going to monitor the situation.

Mr. Gregory Dewar, Acting Chairperson, in the Chair

There was an ethanol plant that was being planned for Saskatchewan. From what I have heard, I have a news story from August 12 of this year, and it just literally shut down. That is with the Broe industries limited that they were going to build an ethanol plant at Belle Plaine. What I understand from the story is that that plant is dead. It is just not going anywhere.

If there is a real hesitancy for individuals to invest in an ethanol plant and it goes nowhere for a while, is the Government prepared to place into the legislation a means by which the date can be deferred and will that be very clear? Clearly, we cannot have a 2005 date where we must put 10% ethanol in and not have it produced.

With all due respect to the leader of the Liberal party in Ontario, I would suggest to him, with all due respect to my colleague from behind me here, but this is a real new industry. I think at best, it is very difficult to make a profit from it. I just ask the minister how careful they are going to be with mandating.

Mr. Chairperson in the Chair

Mr. Sale: The critic is absolutely right. If we do not have a producer, then we cannot very well have a mandate, so that does have to be a reality check for us.

A couple of things, the construction of an ethanol factory refinery is really not a high-tech issue. I do not mean to say that it is simple, but it is not ground breaking. Nor is it new. The American industry, I believe, is already at five billion litres a year now and there is at least one new ethanol plant coming on-line every month in the United States. Where it used to be a six-month commissioning to get the plant up and running, they now do it in a week to get it up and running because the technology is very stable. The plant designs are very similar and consistent, so if it is not a fully mature industry, it is a very quickly maturing industry in the American context.

Mr. Chairperson, let us welcome Mr. Jim Crone, who is with the Energy Development Initiative and carries particular responsibility for the ethanol file. He reports to Garry Hastings, who is the ADM on the chart that my critic may be looking at this point. Jim may be able to give us more specific information. I will tell the critic that once the decision is made to build a plant—this is about a year's construction time, and so we may slip that date if we need to. Certainly, it would be silly not to. Not just silly, it would be stupid not to.

On the other side of what the critic is raising, there is a need on the industry's part for certainty. The member would probably understand that people who produce gasoline are not entirely thrilled with the idea of losing 10 percent of their markup. They need, and have told us very clearly, they want a clear, legal framework. They are not prepared to do this voluntarily on the kind of scale we are talking about. That was the experience with Minnesota that has a state-wide mandate and a clear legislative framework for that mandate.

So, while we may need to be flexible about the date, we cannot be flexible about the policy. That is where we want to go and we have to be clear with both the industry and the blenders, suppliers and distributors that there is a clear framework and that is why the act and the regulations are really important.

Mr. Schuler: Is there any indication that we might have a federal ethanol legislation where the federal government will mandate a certain amount of all gasoline sold has to have a

percentage of ethanol? Any discussions in that area?

Mr. Sale: Sorry, Mr. Chairperson, I did not hear the critic's question. I apologize.

Mr. Schuler: Is there any indication from the federal government that they will look at a national mandate?

Mr. Sale: Mr. Chairperson, the federal government announced about a month ago the first of what we trust will be a number of announcements around the Kyoto accord. They committed a sum of \$100 million to the capital side of ethanol plant construction, and while they did not consult with the provinces and territories prior to making that announcement in regard to the details, they apparently have indicated to the industry that this will come in the form of capital grants for a portion of the capital cost of a plant. So essentially what they are doing is writing down the capital cost of a plant.

We do not have details yet from the federal government about how that will impact on the present value of a litre of ethanol and we obviously need that information but we do not have it yet.

I said that the American industry was 5, it is 7.7 billion litres now.

Mr. Schuler: Perhaps I missed it. Is there any discussion about having a national-mandated ethanol use?

Mr. Sale: The federal government has set an initial target. I believe it is 25, or is it 35 percent of all gasoline by 20, 35 percent by 2012 or some date. We will find the date out for the critic. What they have done is set a target, but, frankly, if we are going to reach that target, that requires that at least one of the big jurisdictions, Ontario or Québec, have a mandate because you are not going to get 35 percent of Canada's gas blended by having Saskatchewan and Manitoba blending their consumption levels. So the federal government has a lot of work to do here to move this along.

Mr. Schuler: Does the minister believe that the ethanol produced is friendlier to the environment than the gas that is being displaced?

Mr. Sale: Well I would just offer to the member a very interesting discussion paper. I do not have more than one copy here, but we certainly could get him copies, so I cannot table my only copy at this point. It is from an organization called Climate Change Central in the province of Alberta, on which the honourable premier of that province is a board member. So this is Alberta's climate change capacity.

* (12:10)

Their discussion paper C3014, a quote from it: "Consensus exists in essentially all recent research that ethanol has a positive energy balance." The most recent numbers from the U.S. Department of Energy are in the 40% region. That is, that there is 40 percent more energy produced than consumed in the production of the process. So, in terms of energy balance, strong consensus that as technology has matured, the energy balance has improved sharply.

For example, the newest plants in the United States have a closed loop of water. They do not put out any effluent. They clean and recycle their water, reuse it. Just one example.

In terms of what this report says, E10 blends, the estimated reduction of all gasoline sold in Alberta, an E10 blend. The minimum reduction in GHG would be 103 000 tonnes of CO₂ equivalent. If the maximum estimated reduction was achieved it would result in a reduction of 516 100 tonnes of CO₂ equivalent.

The other advantages though, and Chicago particularly credits ethanol with this, is a sharp reduction in both sulfur dioxide and nitrous oxide. The tailpipe emissions that cause smog and reduce air quality are sharply improved by using an E10 blend. That is not a greenhouse gas improvement, but it is sure an air quality improvement.

I think fundamentally, for me at least as a non-expert in this area, what we lose sight of, when we are talking about is it a positive or a negative energy balance, the consensus is that it is positive. It is only one or two researchers who persist in finding a negative balance. At some point we have to move from a non-renewable to a renewable fuel model. Gasoline is non-

renewable. It is a very good fuel but it is non-renewable.

As we move into exploiting the tar sands more and more, the amount of energy consumed in producing a barrel of synthetic oil is staggering. Estimates from Alberta have shown that they need most of the new production of natural gas in the future to fuel the plants that are pulling tar out of the ground. My layman's brain says this is wacky. Natural gas is a very valuable fuel. It is not a fuel that should be consumed in producing other fuel.

We are in a situation where we have to make a transition. If we can move from a non-renewable very centralized production of fuel in some of the most politically volatile parts of the world to a much more distributed—remember I spoke earlier about the innovation framework, for example, in wind mirroring what happened in commuting technology—if we can move to a more distributed form of energy production, this has both planetary climate and also geopolitical implications.

Would you rather live in a world where we were dependent on a volatile part of the world to turn on our cars, or would you rather live in a part of the world where the farmer in Minnedosa is growing the feedstock for that and it is being produced 100 kilometres from Winnipeg? I think the answer is obvious.

We talk about the shifts. They are positive from a climate point of view. They are positive from an employment and an economic point of view, but my brain tells me they are even more positive from a geopolitical perspective.

Mr. Schuler: A very brief question and then I would like to move on. The discussion is really quite fascinating. Unfortunately we have a very tight time frame.

Is it reasonable to expect ethanol plants to be built, ethanol to be developed without government participation? Or are we just better off saying up front there is going to have to be some kind of subsidization, a continued subsidization, at least in the immediate future, to make this viable?

The minister used the case in point of the United States. I hesitate to ever want to go up against the American Treasury. From what I understand, the plants are subsidized to be built. The corn is subsidized to be grown. The corn is subsidized when the plant buys it and the ethanol is subsidized when it is used. In the long run, once they get to a certain amount, that may not be necessary any more.

The minister mentioned oil prices, and I concur. I think gas prices will continue to go up. They might go down in the short term. They will probably go up again.

Certainly, from what I remember as a child what gas used to be at the pump and I remember my uncle grumbling: 72 cents a gallon.

We would go back to that any time. It is getting more and more expensive, but is it not, at some point in time, a responsibility of government to say there are a lot of good reasons for this. However, there is going to have to be participation by the Government.

Mr. Sale: First of all, there is enormous, enormous participation by government in subsidizing the fossil fuel industry. The estimates in Canada, according to the federal government, is \$40 billion over the last 25 to 30 years. So there has been a huge investment, usually through tax subsidies, but occasionally through just direct equity participation or through concessionary loans, whatever.

We have to make sure that we remember that the existing fuel system is strongly subsidized in a variety of ways. To answer your question directly, the estimate is that at today's prices there is a crossover around 80 to 85 cents a litre, somewhere in that region. So, if gasoline reaches that price, ethanol will be cheaper, without any subsidies, with no involvement, just plain business case.

So that is why, if you read the legislation that was introduced last year, it was only on the order paper briefly, but if you had a chance to look at it, there was actually a provision in there for us to scale back support depending on market conditions and depending on whether the federal government increased its support.

So we see this as a transition process. We want to make sure that Manitoba gets its share of this industry, that our farmers benefit and our rural communities benefit, but we think that within a very predictable time frame the industry will be self-sustaining, and in some markets it already is in the United States. In other markets, it still has some level of subsidy. I think the country of Brazil, around 35 percent of their total fuel now is ethanol because they do not have any oil supplies.

So the answer to the question is a little fuzzy, but there is a crossover point, and our legislation anticipates that at that crossover point there should be no more public subsidies going into this industry, but it also, I think, is important to recognize there is not an energy source except Hydro that does not have a subsidy somewhere in it, and ethanol is no different in that regard.

Mr. Schuler: Lots of questions yet to ask, lots of areas that I think are important to have as part of the public debate on this. I agree with the minister. Right now, I think the United States government is going to give another probably \$86-billion subsidy to the oil industry. I mean, to put into Iraq, however you want to view that. There is always some form of subsidy, depends on what you want to call it, right? Would I like nothing better than us to wean ourselves off of Middle East energy? Absolutely. I think that probably one of the biggest problems of the Middle East is our dependence on it.

Now we digress. I think we should pull back. I have a little bit of a problem. I hesitate because we are taking good food supply and using it for fuel, but we are producing—and that just gets into another debate and maybe next year when, I do not know if we will go back to this 100 hours or switch back to 240 hours and then we will have more time. Over time I think it is something that I think has to be looked at. I am always uncomfortable if there is a, what wins out, food or fuel. It is a debate that I guess will be there for some time.

I do want to move on to Manitoba Hydro. The minister, I sense, wants to make a quick comment.

* (12:20)

Mr. Sale: Human-grade wheat is not used in ethanol production; in fact it is not the best. What you want is a high starch wheat and a low protein by and large. So wheat that goes off grade, that might have been planted for human consumption but degrades from moisture or other reasons, it is feed wheat that gets used. The beauty of ethanol production is that what is left when you get the starch off is feed and very good feed at that. So it is not human-grade grain that is used, and, secondly, if we could get to what Iogen is doing, it is cellulose. We do not eat cellulose, so it is an advantage.

Anyway, I will let the member proceed.

Mr. Schuler: I suspect we are going to run out of time today. We will not get to all the various points.

Hydro is clearly a cornerstone of this particular department. I think it is a cornerstone of our province. I think it has given a lot to this province.

I will critique this Government and perhaps others. I think we have treated Manitoba Hydro far too much as an instant teller machine and have not given it the long-term vision it should have.

I do not have to spend a lot of time. The 288 out of Hydro. I am sure we can leave that for now. I think Hydro is so terribly important to what we want to do as a province. If we would look at the Alaskan model in the way they are treating their energy and what they are doing to try to move that province with their heritage fund, I do not think that is quite the name of it, but what they have done with their energy sector, I mean I would love to see something like that.

The fact that Manitoba Hydro carries such an enormous debt concerns me because it does not give flexibility to look at innovative ways of producing new energy. I have rambled onto the questions that we want to look at.

There are clearly a lot of benefits to continuing developing Manitoba Hydro. There are jobs and economic spin-off. Governments tend to want to use those to get themselves re-

lected. In the end there is the political component. However, Hydro is being expected to cover off different areas. There is the Kyoto side. There is the economic spin-off side, the construction alone, the kind of spin-offs that come from it.

Can the minister sort of tell us philosophically where the Government is planning on going with Manitoba Hydro? The minister before this had sort of given me some indications of how they want to view Hydro. Can he just tell us how does that fit into the whole Department of Energy, Science and Technology?

Mr. Sale: I would commend to the member a very, very interesting book that Hydro produced several years ago. It is a history of the vision. It is interesting that Campbell, Roblin and Schreyer—I do not know what the name of it is. I will get you a copy. It is readily available from Manitoba Hydro. I will give you my copy and I will get another one.

Anyway, what it does is sketch out a vision that started after the Second World War and the whole northern river opportunities, that have been amended over the years, but essentially the vision was set in the late forties, early fifties. I think Manitoba Hydro has been quite faithful to that vision.

A hydrology study was done at that time of the whole northern system and a choice was made which way to go, go on the Churchill or go on the Nelson. The choice was made to go to the Nelson and maximize the power developments that way.

I think the evolution of Hydro into a full energy company is an important thing to understand, that it is not just a hydro company anymore. We have natural gas turbines, 230 megawatts in Brandon. We have a small coal backup component for dry conditions, which is certainly what we have now. We will, we expect, be into wind sooner rather than later. They have a mandate to do methane capture and to move us forward on the whole co-generation using methane as a fuel. Methane is a huge component of manure, effluent, and many countries in the

world who have very high power prices are capturing methane.

There is a very interesting project in Teulon to put the first really cold weather digester, methane digester—not a methane digester, manure digester in a pig farm to see if the technology now is mature enough that we could deploy it more. The virtue of that is it produces a pathogen-free product at the other end, no problem of spreading anything because it is pathogen free, produces methane, recycles water, allows for co-generation of power.

So I think the evolution and vision for Hydro is into an energy world where we can use our resources for economic development, for inclusion of the interests of First Nations and northern people in terms of employment, skilled trades, skilled jobs, where our dams, essentially, more than meet any kind of Kyoto target that Manitoba might ever have. I would be happy if you would just give that to our critic. Thank you very much. It is a very interesting look at the history of electric power in Manitoba.

So our vision is the evolution towards a full energy company that looks at managing energy in the most efficient way possible. That is why we lowered our interest rate on Power Smart from 8.5 to 6.5. It is why we have saved 241 megawatts equivalent over the last few years by going into demand-side management. It is why we are looking at being ready for the hydrogen economy when it comes, because that is another way of storing energy from wind or from biomass, use it to produce hydrogen and store the hydrogen.

I think that is our vision, that we can be the energy province. We have a small population. We have large energy resources. Those energy resources are not going to run out. Those that are based on fossil fuels will run out, not probably in my lifetime or yours, but they will run out, and we have the opportunity to transition to that new economy and, as I started our discussion in Estimates, to do that through looking at where innovation can take us and, essentially, lead Canada in that regard.

That is one of the reasons it is very exciting to be in this department, because given our total

capacity, we really do have the opportunity to be a fossil-fuel-free economy before any other part of Canada is. That is a long-run vision but it is the vision that is moving our Government forward, and it is a vision that Hydro embraces as a total energy company.

Mr. Schuler: Clearly, hydro has been put forward as a means by which Kyoto commitments can be met. I think North America is, right now, caught in an energy crisis. We saw what happened on the east coast for reasons that we will allow those who investigate to figure out.

The minister has spoken at length since becoming minister about selling energy, for instance, to Ontario. Without getting into Hydro's mandate, how is that proceeding, or has the election sort of gotten in between?

Mr. Sale: First, I just want to clarify for the member, we can more than meet our Kyoto targets without selling any hydro-electricity in addition to where we are now. What we will be doing is helping Canada meet its targets by exports, but Manitoba emissions have been flat for a decade at about 21 million tonnes of carbon. With the Brady Landfill alone, the potential there would be enough to meet target reductions, and other things that we have done, shutting Selkirk down, shutting the coal plant down there and so forth. So when we talk about meeting Kyoto targets, it is really a way in which we can advance Manitoba's economy and help Canada, particularly Ontario and Saskatchewan, meet targets.

* (12:30)

Specifically, the discussions with Ontario have been extremely productive and fruitful. They are right on schedule in terms of timing. We had set an initial frame for an initial report back in the late spring. We got that on time. That moved us into a study by the two utilities, Hydro One in Ontario and Manitoba Hydro, each contributing about a million dollars of internally generated funds to transmission and generation studies.

They are in the early stages of negotiating the actual power purchase itself, and we expect that they will be on time for a target of the end

of this year to have a clear answer about transmission options and moving forward, I trust, with the government in Ontario, whatever stripe, because all three parties in Ontario have publicly committed to power purchases from Manitoba as part of their strategy. I am pleased.

I should tell the member he, I am sure, understands, but it is a very complex business negotiating a 20-year firm hydro sale with associated transmission. These are not simple. There are environmental issues. There is a whole lot very, very complex. Typically, the documents for such a sale will be of this kind of magnitude, with a lot of lawyers making a lot of money before anybody else gets any.

This is not something you rush through just to get a happy day. It has to be done right because there are lots of billions of dollars being invested and there are lots of people on the other end counting on power. You have to make sure you cover off every base on that. These are complex negotiations, but nothing Hydro has not done before. It is just that I know we are not going to be concluded in the next two or three months. We are well begun but we not going to be concluded.

Mr. Schuler: Has the federal government indicated they would like to participate, for instance, to help with the construction of the transmission lines to Ontario?

I suspect right now that the federal government is probably as unstable as the political situation in Ontario. Within a month Ontario will have a premier. Unfortunately, Canada will not have a prime minister until some time next year, unless something changes.

I know there is a hesitancy on the part of the minister to go here, but where is the federal government with the participation of that whole transmission line?

Mr. Sale: I am very proud of the work we did with our staff, officials and with the support of our Premier (Mr. Doer) to get the federal Kyoto plan to acknowledge the role of large clean run-of-the river hydro in meeting the Kyoto targets. The initial plan did not have that in there. We were not anywhere in the initial Kyoto plan. Through hard work on the part of all of us we are in the plan now.

The current Prime Minister has been publicly supportive of east-west grid development. The Department of Energy and Natural Resources, EnerCan, has been engaged with our staff in a very significant way, talking about how this might happen. There are many ways in which the federal government could be helpful. We are canvassing a variety of those ways.

It has to do with how emission credits are generated for the Kyoto purposes, who gets those credits, what they are worth. It has to do with whether they would like to take part directly in subsidizing the extra cost of certain reliability features of transmission lines, which are not technically necessary but would be advantageous to Ontario to strengthen its grid.

There are many different ways the federal government could play a role. We are canvassing all of them. We have had strong endorsement of the principle of east-west grid as a very important thing. As you rightly pointed out earlier, when the lights went off in Ontario but stayed on in Québec and Manitoba, this was not unnoticed in terms of why we ought to be talking east-west.

I am happy with the discussions. I will be happy when there is clarity in Ottawa as to specifically how is this going to be done. I am satisfied that our Premier, our department and our staff have this very significantly under consideration. What we are looking at is how, not whether. I cannot answer the question of how yet, but the whether seems not to be an issue anymore.

Mr. Schuler: I guess the concern I have voiced over the last not quite a year, I know it has been voiced in other quarters across the province: Is it still the intent to run a line from Conawapa right to Ontario, or are you looking at bringing it somewhat south and then going east with it so that eventually it can be an east-west corridor?

The minister knows the reasons why. What is the intent?

Mr. Sale: I believe, probably, the member knows these are transmission options that are under discussion. There are advantages and disadvantages to all of them. Going straight across the top is easier from a construction point

of view. It does not go through settled areas. It goes through very few First Nations areas. It is shorter and therefore cheaper.

However, it does not bring any reliability benefits to Ontario. It just brings in a bunch of power, but it does not allow you to interconnect the two systems because it is high voltage direct current as opposed to what we use, which is alternating current.

Coming down with another big line to the south, either east or west of the lake, is a clear option as well, but when you do that, the cost goes up a bit. The advantage that comes with it is that there are coal plants in northwestern Ontario that could be shut down if we came through that area.

Probably the bigger advantage is that you begin a serious east-west grid connection. Right now there are some connections between Québec and Ontario but their two systems, from an engineering standpoint, are different. Québec's system is engineered to be separate. Maybe that is part of the political history of the country, I do not know, but from a technical point of view they have a different set of—it is essentially out of phase is what it is, but there are connections.

If we built connections from Ontario of a significant scale, then it is just a whole lot more reliable. To give the member an example: On September 5, 1996, a tornado went through the Warren area and knocked out 16 towers. We lost 70 percent of our power in an instant. Because we have a strong grid connected to the States, the lights flickered, but that was all that happened. We immediately imported enough power to keep all of our demand being met while we did some orderly load shedding following that and got the towers back up in about four days. Nevertheless, without that strong connection to the States, we would have had a serious problem.

That is why a grid is a virtue. One other reason I will just leave with the member is that the peak power demand periods are different when you go east to west because of the peak rush hour times, et cetera. If you can connect east and west, you can reduce peak demands on everybody's system. If you go north-south, you reduce seasonal demands, you can get seasonal

benefits, but you do not get daily benefits. There are some real economic benefits to tying us.

Mr. Schuler: To move just briefly, because we are running out of time, into the whole hydrogen fuel cell. How much is Hydro involved in that whole development, how much are they involved in the research, or are they just allowing the research to take place and they just be a supplier of electricity?

Mr. Sale: Again, I commend to the member a report which I will get for him, *The Hydrogen Strategy*. I do not know if he has seen that or not. It was released in June. I think it was June. We will get you a copy of *The Hydrogen Strategy*.

Hydro is a user of hydrogen. Hydrogen is used as a coolant in the big converter stations. So it is a major user of, currently, hydrogen supplied by an industrial gas supplier. There is an opportunity for Hydro to actually get into the hydrogen manufacturing business and that is actively being explored, whether that is a good thing to do or not.

* (12:40)

Hydrogen is a by-product of some of our manufacturers like Nexen and Alcan in Brandon and Virten. They produce hydrogen as a by-product of making sodium chlorite, looking at opportunities to see what might happen there.

New Flyer has produced and supplied the next generation bus shell that is kind of designed as what they call a plug-and-play bus that will accommodate different energy systems, different propulsion systems. That bus is currently being fitted in California. I think in California it is the capacitors that are being fitted into the next-generation bus. It will go to Alberta to get a gas storage system and then it will go to Ontario to get the hydrogen engine and then it will be put back on the road here as a demo of a next generation. By next generation, I mean that the biggest energy demand in anything is when you are accelerating it, so you try to store the braking the most efficient way you can in order to use that energy for starting up. In the past, it has simply been stored in a form of low-voltage electricity in a battery, essentially turns the motor backwards for braking. This stores it in

very high-voltage, high-density capacitors and it produces much more torque for acceleration. So we are expecting a quantum leap in efficiency with this new bus.

So Hydro's role—they have a research capacity. They are partners in the fuel development area. They sit on our hydrogen strategy committee. They are very important members of that committee. Obviously, in the long run, the cleanest way to produce hydrogen is with clean electricity that has been generated in the first place from renewable sources. Hydro is very much engaged with EDI and with our hydrogen task force. We will get a copy of that report for you. I expect one is on its way.

Mr. Schuler: Approximately how much does Hydro spend a year on research in the whole hydrogen field?

Mr. Sale: Can we take that question on Wednesday? Hydro will be there and can answer it directly.

Mr. Schuler: Again, I have a feeling the Wednesday meeting will be taking a different look at where money is spent. One of the concerns I have is, what the minister just laid out, the bus has to go to California, then it goes to Calgary, then it goes to Ontario, and what concerns me is that this really high-end research, it is not here. When the minister laid out the innovative umbrella over Energy, Science and Technology, it would be really neat, really good for this province if that was being done here. Is that something that the department is looking at, and how are we proceeding with that?

Ms. Bonnie Korzeniowski, Acting Chairperson, in the Chair

Mr. Sale: The hydrogen economy of the future has many, many, many components to it. It is unlikely that we are going to be a centre of fuel cell research. It did not start here. It is in Vancouver and it is in Toronto and it is in the eastern seaboard of the United States, et cetera. It would be possible, I guess, if you threw a lot of money at it to try and get somebody here. On the other hand, we have Kraus industries here, which has produced the world's first fully-approved hydrogen refuelling system. It is really a high-pressure gas refuelling system. It does not matter whether it is hydrogen or compressed

natural gas or some other gas. So Kraus is very much engaged as a partner in a number of hydrogen projects.

So we see ourselves as needing to take advantage of our natural advantages and to partner so that we are in that loop. I think if the member has a chance to review the hydrogen report which I have provided for him, he will see the strategies in there that we think will position us both to take advantage and to be in the forefront of some of the aspects.

I will give him another example. Atomic Energy of Canada has the world's largest and only gas-safety testing capacity. They have a very large, essentially a pressure vessel that you can blow things up in. In other words, we have got to learn to handle this gas under all possible conditions safely. Part of the hydrogen economy's ability to expand and become what we would like it to become is going to be based on safety standards. Those safety standards can be developed through that kind of research here.

So there are many, many kinds of hydrogen-related research. We have got a leading position in the fuelling side. We have got a leading position in manufacturing the buses with a very high-technology bus, but we do not have the capacity to be the leaders in all aspects of that economy, and, frankly, I do not think we should seek it. It is just not going to happen. It would not be a good use of our dollars.

Mr. Schuler: Does Hydro follow and monitor carefully with your department where the whole hydrogen research is going?

Mr. Sale: In this book, there is the Manitoba Hydrogen Steering Committee on page 58.

The member will see that it is Atomic Energy of Canada, City of Winnipeg, Community Economic Development Committee of Cabinet, Kraus Global, a company I mentioned, our department, Executive Council of government, Manitoba Hydro, Transportation and Government Services, Natural Resources Canada, Red River, U of M, U of W. That is the steering committee that is actively involved in steering this initiative, so the answer is yes. It is an extremely strong committee.

Mr. Schuler: Back to Manitoba Hydro. I had suggested to the minister that it sounds like this is one of the ways of meeting the Kyoto commitments, and I meant for Canada.

I understand that there is a really strong move towards saving hydro. There is all kinds of cost saving. There is now a lower interest rate loan being provided, et cetera. Yet, on the other hand, we keep talking about producing more hydro.

I am always a little bit confused. Are we looking at saving energy on the one hand or are we talking about building more plants to sell more energy? There is a little bit of a chaotic kind of a message coming out.

Mr. Sale: I am tempted to say yes. The member probably understands that our very low power costs are subsidized very significantly by exports.

Our Manitoba advantage is purchased for us by having strong exports. As our load grows in Manitoba, as our economy grows, it grows at around 40 or 50 megawatts a year in demand growth, which does not sound like a lot, but in ten years it is 500, just through population and industry, et cetera. Then we lose that capacity to export.

There will be a very interesting debate at the Clean Environment Commission around Wuskwatim. I am sure that some people will put forward the view that this will cause rates to rise.

The actual answer is, if we do not build Wuskwatim and Kiask and Conawapa, over time rates will rise, because we lose our export capacity, and the exports are what subsidizes our rates or allows Hydro to have our rates lower than they would otherwise be.

Every kilowatt we can save and every kilowatt that we can generate that is in excess of our needs keeps the industrial, commercial, business, and residential citizen advantage that is a really big part of our advantage.

Mr. Chairperson in the Chair

* (12:50)

To give the member a sense of scale here, talking about an industrial enterprise coming here with an investment over \$100 million.

A couple of their offshore alternatives that they are evaluating against Manitoba, in both cases we would allow them to put an additional between \$5 million and \$7 million a year straight to their bottom line on power savings alone, no other part of our advantage, just power savings.

You can see why we want to maintain that kind of advantage for our own companies and for any companies that might be considering locating here. But to do that, we have to export power.

Now, if we can use that power for value-added jobs here that allow us to grow our industrial base and grow our wealth in a significant way, obviously that is even better.

But we have to continue to export power if we are going to keep our advantage, and Kyoto is clearly an opportunity for us to do that.

Mr. Schuler: Unfortunately, cheap also encourages more use.

An Honourable Member: That is why we are encouraging Power Smart.

Mr. Schuler: That is why Manitoba has encouraged that.

I understand, too, that rates are now in front of the PUB, that for the next nine years, 2 percent a year, or whatever hydro rates are supposed to go up.

I will just ask the minister: Where are hydro rates going in Manitoba?

Mr. Sale: Hydro has not applied for a rate increase for many years. Mr. Chairperson, '96 was the last residential increase, and '92 was the last commercial.

Hydro has not actually been to PUB for some years. We encouraged them to go there for a rate review which took quite a long time actually and cost a lot of money.

Mr. Chairperson, the net result was that no change was recommended by the Public Utilities Commission that does review rates.

Hydro always puts into its rate application—it has to file a rate profile each year. It is not a request for an increase. It is Hydro's perception of what they will need under certain conditions.

They always file under conservative, if I may use that word, assumptions. So they have filed for years a 2% increase and never used it.

Mr. Schuler: I think we are ready now to pass the Estimates.

Mr. Chairperson: The last item to be considered for the Estimates of this department is item 18.1.(a), Minister's Salary, contained in Resolution 18.1.

At this point, we request the staff of the minister's office to leave the table for the consideration of this last item.

18.1.(a) Minister's Salary \$29,000—pass.

Resolution 18.1: RESOLVED that there be granted to Her Majesty a sum not exceeding \$606,600 for Energy, Science and Technology, Administration and Finance, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

Resolution 18.2: RESOLVED that there be granted to Her Majesty a sum not exceeding \$2,292,400 for Energy, Science and Technology, Energy Development Initiative, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

Resolution 18.3: RESOLVED that there be granted to Her Majesty a sum not exceeding \$17,556,900 for Energy, Science and Technology, Science, Innovation and Business Development, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

Resolution 18.4: RESOLVED that there be granted to Her Majesty a sum not exceeding \$17,799,800 for Energy, Science and

Technology, Manitoba Information and Communication Technology, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

Resolution 18.5: RESOLVED that there be granted to Her Majesty a sum not exceeding \$5,773,100 for Energy, Science and Technology, Amortization and Other Costs Related to Capital Assets, for the fiscal year ending the 31st day of March, 2004. Shall the resolution pass?

An Honourable Member: No.

Mr. Chairperson: No? Question.

Mr. Schuler: I would just like to say to the minister, seeing as this is the last one to be passed, I certainly appreciate the discussion this morning.

I have no idea what will happen later on this year and I do wish him well if he is moved into another portfolio.

It has been a very interesting time being the critic to this particular minister, and I appreciate this morning's discussion.

Resolution 18.5: RESOLVED that there be granted to Her Majesty a sum not exceeding \$5,773,100 for Energy, Science and Technology, Amortization and Other Costs Related to Capital Assets, for the fiscal year ending the 31st day of March, 2004.

Resolution agreed to.

Mr. Chairperson: This concludes the Estimates for this Department of Energy, Science and Technology.

The hour being 1 p.m., I am interrupting the proceedings of this committee.

Committee will recess with the understanding that it will reconvene this afternoon after Routine Proceedings.

LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, September 18, 2003

CONTENTS

ORDERS OF THE DAY

GOVERNMENT BUSINESS

Committee of Supply
(Concurrent Sections)

Education and Youth	811
Transportation and Government Services	828
Industry, Trade and Mines	846
Energy, Science and Technology	855