

## THE LEGISLATIVE ASSEMBLY OF MANITOBA

9:30 o'clock, Wednesday, July 14, 1971

Opening Prayer by Mr. Speaker.

MR. SPEAKER: Presenting Petitions. The Honourable Member for Osborne.

PRESENTING PETITIONS

MR. IAN TURNBULL (Osborne): Mr. Speaker, I beg to present the petition of Mrs. Howard Murphy and others praying for the passing of an Act to incorporate the Mental Health Research Foundation.

MR. SPEAKER: Reading and Receiving Petitions; Presenting Reports by Standing and Special Committees. The Honourable Member for Logan.

REPORTS BY STANDING AND SPECIAL COMMITTEES

MR. WILLIAM JENKINS (Logan): Mr. Speaker, I beg to present the Fourth Report of the Standing Committee on Law Amendments.

MR. CLERK: Your Standing Committee on Law Amendments beg leave to present the following as their fourth report.

"Your Committee has considered Bills:

No. 32 - An Act to amend The Real Estate Brokers Act.

No. 42 - An Act to amend The Election Act.

No. 46 - An Act to amend The Jury Act.

No. 51 - An Act to amend The Criminal Injuries Compensation Act.

No. 59 - An Act to amend The Corrections Act.

No. 67 - An Act to amend The Crown Attorneys Act.

No. 72 - An Act to amend The Public Servants Insurance Act.

No. 76 - An Act to amend The Executions Act.

No. 80 - An Act to amend The Unsatisfied Judgment Fund Act.

No. 82 - An Act to amend The Charities Endorsement Act.

No. 91 - An Act to amend The Civil Service Superannuation Act.

No. 101 - An Act to amend The Teachers' Society Act.

And has agreed to report the same without amendment.

Your Committee has also considered the following Bills and has agreed to report the same with certain amendments:

No. 25 - An Act to repeal Certain Acts relating to Certain Corporations.

The Schedule amended by deleting items 8 and 24 and re-numbering the remaining items.

No. 38 - An Act to amend The Wives' and Children's Maintenance Act.

Subsection (2) of section 25 amended by adding after the word "if" in the second line, the words "it is based solely on the grounds that." "

All of which is respectfully submitted.

MR. SPEAKER: Ministerial Statements and Tabling of Reports. The Honourable Member for Riel.

MR. DONALD W. CRAIK (Riel): On a point of order, . . . first opportunity upon which the Member for Osborne has been in his seat for some time, is it not his intention to present the report of the Public Utilities Committee?

MR. SPEAKER: That's no point of order. The Honourable Minister of Mines and Natural Resources.

MR. GREEN: I don't think that questions are permitted, other than . . .

MR. SPEAKER: Ministerial Statements. The Honourable Minister of Finance.

MINISTERIAL STATEMENT

HON. SAUL CHERNIACK, Q.C. (Minister of Finance)(St. Johns): Mr. Speaker, I'd like to give a brief report to the House on the meeting which I attended the last two days with the Ministers of Finance of Canada.

Last Thursday I reported to the House in general terms on the position which I planned to outline at the Conference of Ministers of Finance and Provincial Treasurers in Ottawa on July 12th and 13th. I would now like to table copies of the detailed position statement which I presented to the Ministers on Monday. I assume it will be distributed to members very soon.

(MR. CHERNLACK cont'd)

This House may recall I summarized last week the major concerns of the Government of Manitoba with respect to the Federal Government's refusal to commit itself to a meaningful full employment policy to Ottawa's decision to eliminate estate and gift taxation at the end of 1971 and the failure of Mr. Benson's income tax proposals to provide the provinces with an adequate share of total income tax revenues. Regrettably I must report that none of these concerns was lessened by satisfactory replies from the Federal Government. In fact, after the meeting many of the problems seemed even more serious than they originally appeared. Dealing first with unemployment, I am unable to tell the House much more than I did last Thursday. Ottawa seems unwilling to accept a national full employment goal of at most three percent unemployment recommended by the Economic Council of Canada. Instead there was a real reluctance to make any commitment to a goal and I'm forced to conclude that there appears to be acceptance of a long-term average of perhaps five percent unemployment. Despite the Federal Government's optimistic statements, we are vitally concerned that the unemployment picture this coming winter will still remain at relatively high levels. Ottawa has refused to provide us with any definite information as to its employment expectations nor any concrete indication of its plans for combating unemployment. Consequently our own planning and that of the other provinces for the coming months will necessarily have to proceed independently.

Turning to the question of Estate taxation: "Manitoba was gratified to an extent by the opposition expressed by most provinces to the Federal Government's announced decision to vacate the estate and gift tax field. Six of the seven provinces which presented formal statements to the meeting, voiced serious reservations about the equity and revenue implications of Ottawa's withdrawal plans. It is clear to me that the Federal Government is vacating this field because it expects that its 25 percent share of the estate tax will be made up by its share of tax on capital gain, but this factor will not apply to the loss of the provincial 75 percent share of the estate tax. The Federal Government is therefore vacating the estate tax field to the provinces. Well, it was agreed that the subject should be referred to federal and provincial finance department officials in an effort to find a workable solution to the problem, perhaps in the form of a postponed Federal withdrawal to permit a smooth phasing in of co-ordinated provincial succession duty and gift tax legislation. Manitoba still retains some hope, however, that the Federal Government may be persuaded to remain in the field so that the eminent danger of the creation of a provincial tax jungle in this field can be forestalled. Probably it should be emphasized, because the point seems to have been overlooked particularly and unfortunately by Mr. Benson, that the tax jungle threat had significance not only as a potential administrative nightmare for the provinces but also by extension as a source of serious problems for individual taxpayers. The difficulties of estate planning are immense even under the present system. If the Federal Government vacates the field and the provinces are forced to fill the gap, problems could be compounded tenfold and more. This is why the Government of Manitoba has advocated federal presence in the estate and gift tax fields and will continue to do so in the months ahead."

I'd like to just elaborate a little on that more formal statement. -- (Interjection) -- Well, the question raised by the Leader of the Opposition is indicative of the problem. He believes they are in the gift tax field but the fact is they will vacate the gift tax field along with the estate tax field because they are tied together, and therefore by vacating the gift tax field one of the really important restraints and constraints which any estate taxing province must have, is the opportunity to have a proper control over gift taxation and that is why the provinces which have their own succession duty, that's British Columbia, Ontario and Quebec, rely heavily on the existing federal gift tax legislation to sort of police their own succession duty, and that is why, Mr. Speaker, that even those provinces - and I'm not quoting them because the understanding is one never quotes statements made by Ministers of other provinces - but that is why it is obvious that they themselves are keenly concerned about the suddenness with which the decision was announced by the Federal Government, that January 1st is the date when the Federal Government will be out of gift tax and estate tax. Because it will create not only the tax jungle which the existing succession duty provinces have, that is Ontario, Quebec, B.C. and the problems that arise from all these disparate, possible disparate forms of estate taxation, but also that their own present plan has to be melded in some way or adjusted to the fact that the gift taxation will be eliminated as well. That's why it's such a serious problem for all concerned and one which I hope the Federal Government is now starting to realize and

(MR. CHERNIACK cont'd) . . . . they have agreed that they would convene a meeting in the very near future to discuss all the implications of their decision. Frankly, it is my feeling that they had not really considered those implications, taking the attitude simply that since they only collected 25 percent of the estate tax, why should they be troubled with the headache - let's drop it, collect it in capital gains taxation and then leave it to the provinces. But the problem is really acute for the provinces and of course the projections do not indicate that capital gains will take the place in revenue of estate taxation and, of course, there's a great deal to debate about the principle as to whether capital gains really does replace estate taxation and we have taken the strong position that it does not.

Finally, perhaps the most important development at the meeting was the admission by the Federal Government after considerable prodding by the provinces that the new tax proposals scheduled to take effect January 1st, '72 will mean, as Manitoba had anticipated, substantially reduced provincial revenues; that is taking into account growth factors, it appears to us that there will be reductions and it becomes rather clear, as has been reported by the news media already, that the provinces are facing the need to look further into the question of replacement of potential reduced revenues.

Members will note my opening statement, which is about to be distributed, made reference to an estimated \$50 million potential revenue loss in expected growth for Manitoba alone over the first five years of the new system. Lest this figure cause some confusion, I should tell you that it represents the total potential five-year revenue loss from Manitoba's share of the federal estate tax plus related equalizations, combined with the Federal Government's projection of income tax revenue losses for the 1975 - '76 and the 1976 - '77 fiscal years. The figure does not include personal and corporate income tax loss in the first three years of the new system, that's 1972 - '73 through 1974 - '75 which would be covered by the guaranteed proposal as it now stands. In fact, our total potential revenue loss would exceed 63 million and the 50 million figure represents a portion of this total which would not be covered by the guarantee.

A major concern to us at the meeting was our discovery that relative to other provinces, the federal estimated revenue loss for Manitoba was particularly large, the largest proportionately of all provinces and by far the largest. We are experiencing difficulties in analyzing the factors responsible for the federal estimate of revenue losses accrued to Manitoba, as are the federal officials who made the projection. There are many unanswered questions on this and officials of my department have arranged to discuss the matter with representatives of the Federal Government in the immediate future. In any case, the fact remains that Manitoba stands to lose a huge sum in the next five years and may well be forced to adjust its tax rate to cover the shortfall. If this is the case, it should be clear the responsibility will be Mr. Benson's as a direct result of his proposed tax changes. This conclusion is substantiated by statements made by other provincial Ministers of Finance, and again I cite only those whose statements have been made public, notably colleagues from Quebec, Saskatchewan and New Brunswick.

As I indicated my intentions last week, I pressed for a longer revenue guarantee period, five years at least instead of three, but we recognize, and Mr. Benson in effect acknowledged this in his remarks at the meeting, that such an extension would only postpone the day of reckoning. Instead of an artificial and severely restricted short-term guarantee to old system revenue levels, the Federal Government must provide the provinces with an equitable share of the future revenues of the new system. Tied to this is the need for the Federal Government to recognize its responsibility to share in the cost of major programs to a greater extent, not a lesser extent as we now foresee. Only if this is done will the provinces be able to continue to fulfill their growing responsibilities without raising taxes.

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SIDNEY SPIVAK, Q.C. (Leader of the Opposition) (River Heights): Mr. Speaker, I thank the Minister for his statement. I think there are certain comments that have to be made and we'll obviously have an opportunity of analyzing his statement in full later on and be in a position to possibly make comments further.

Mr. Speaker, it's interesting to note that the Minister of Finance did not suggest as a result of the tax reform program of the Federal Government that the people in Manitoba are going to be paying less taxes. Nowhere is it suggested that although Manitoba may receive less money as a result of federal payments that the people of Manitoba are going to be paying

(MR. SPIVAK cont'd) . . . . less as a result of the tax reform. And, Mr. Speaker, I think this indicates a crisis for Manitoba, but the crisis to a certain extent is because of the government's own making. We have already indicated in this House and it was clear, as it is clear to the Minister, it was clear to us that based on the budget that was proposed, with what we considered an overstatement of revenues and an understatement of expenditures, that we were in a crisis situation and that the likelihood would be that without any tax reform program, and without any particular changes that would provide more money for the Provincial Government, that in fact taxes were going to have to rise in Manitoba.

Now we have said before, Mr. Speaker, and we say again, that the government who so quickly has been able to indicate as it did the night that the tax reform programs were provided, that the first thing that would have to happen is that taxes would have to go up in Manitoba. That a government who so quickly could indicate this as a course of action should have indicated immediately the necessity of the examination of government costs and government expenditures and the requirement that government expenditures be pared in Manitoba; that government costs be controlled; that redundant programs be thrown out; and that rather than concentrate on the necessity of increased taxation for Manitoba, the concentration should be on the establishment of priority programs and the recognition that government programs are going to have to be altered and changed and modified and cut down.

Mr. Speaker, it's interesting to note that on the night the tax reforms were provided to the people of Canada, the First Minister indicated immediately that the likelihood would be that they would have to enter the estate tax field. -- (Interjection) -- Yeah, likelihood, that's right. He indicated that immediately. Not certain, but we have pretty well confirmation of it from the Minister of Finance. And it's interesting to point out that while he uses the terminology that the gift tax has been eliminated and he made reference in his remarks to the capital gains tax, the truth of the matter is, Mr. Speaker, that while the wording may suggest that gift tax is eliminated, people who will in fact give gifts are going to be paying tax under capital gains. Ho, ho. That's right. People who are going to be paying gifts in Canada will be paying taxation. There's no question of that, and our friend Santa Claus over there can yell "ho, ho" all he wants, the truth of the matter is that people who will be gifting to the people who will be receiving, the people receiving are going to be paying taxation; and while the suggestion is that the government has given up the estate tax field, the truth of the matter is that when a person dies and the assets are transferred over other than to the spouse, there will be in fact capital gains tax paid; so it's not as if the passing of the assets are not going to have any tax ramifications and it's not as if people are not going to be paying taxation. -- (Interjection) -- Oh -- now only if there's a gain, that is only if the gain is higher than the valuation established at valuation day, is that what you're suggesting? -- (Interjection) -- That's right. That's right. That's a capital gain and on which there's going to be a tax.

Now, Mr. Speaker, succession duties, estate tax realizes \$5 million in Manitoba more or less, one percent of our total revenue or total revenue of this province. It's interesting, Mr. Speaker, to see that the government immediately has seized on this great source of revenue for Manitoba, this great source of revenue as the one which obviously has to be introduced to raise and meet the requirements. Well, let's assume, Mr. Speaker, that they in fact provide that additional taxation, and let's look at the period of time that the Minister says we're going to have a shortfall of \$50 million. What's that \$5 million going to realize? Is it going to realize the \$50 million? No, Mr. Speaker, not at all. There's obviously additional taxation that's going to have to be raised. But the Minister and the First Minister immediately jumped on this, they jumped on this because in terms of their basic philosophy, in terms of their basic concept, they do not believe that people who have in fact paid taxation through their lives, who are going to be paying taxation on the dispersement at their deaths of their assets to other than their spouse, should in fact not have additional incidence of taxation placed on them.

Mr. Speaker, one of the great problems of the estate taxation in western Canada has been that for those people who have been placed in that position as a result of death, that western Canada, unlike eastern Canada, does not have the kind of liquidity that provides the cash payment for taxation. There isn't a rural person or a farmer that has realistically been put in a position where he has the cash, or the family or the sons or the daughters have the cash available to pay, to pay for that taxation -- (Interjection) -- whose fault is that? Well, if I really thought Mr. Flintstone from Thompson really understood taxation . . .

MR. SPEAKER: I do believe the Honourable Leader of the Opposition is entitled to reply to the statement of the Minister of Finance, but I think that he's not entitled to cast names about in this Assembly and to debate the issue. He is entitled to a reply and I wish he would confine himself to those limitations. The Honourable Leader of the Opposition.

MR. SPIVAK: Well, Mr. Speaker, I think I've made my point with respect to estate taxation, I will not repeat myself again. There are other aspects to what the Minister has said that I think have to be mentioned and are important.

Mr. Speaker, the Minister of Finance referred to projections of unemployment in Canada and in Manitoba, and he indicated that the forecast of what would take place in Manitoba have not-- their forecasts have really not changed, and this brings up a very important point, Mr. Speaker. If the Minister of Finance has forecasts of unemployment for Manitoba for the next fiscal year, it would be important, Mr. Speaker, that the Minister of Finance address himself to this House as well as to the government of Canada. We have a right to have presented before us and have a right to debate in this House those forecasts of unemployment that the Minister has in his possession; those forecasts which in fact have been discussed at the private meetings in Ottawa. We have a right to be in a position to make a judgment and an assessment of whether the government's programs in Manitoba are sufficient and whether the government's programs will commence properly to be able to meet the requirements for employment in this province. -- (Interjection) --

MR. SPEAKER: Order, please.

MR. SPIVAK: Well, Mr. Speaker, I'm assuming that if the Minister indicated that the unemployment figures in Manitoba will be high in the coming fiscal year, that in fact there has been discussion in Ottawa, that they had some information, some forecast, some estimate, and if he did as far as I know that estimate, that forecast has never been presented in this House. Mr. Speaker, before this session is finished we have a right to discuss and to debate in this House the information that was supplied to Ottawa to give us an opportunity to examine properly whether the government's proposals and programs for alleviating unemployment in this province will work, whether in fact it will be commenced properly at the right time and whether in fact additional programs and alternatives should be considered and introduced; and I would hope that the Minister of Finance would stand up in this House at an appropriate time and present that information to us so that we in fact could evaluate it.

Mr. Speaker, we forecast when the budget was presented that taxation would go up in Manitoba. The Minister of Finance, and I suggest the Premier by his statements outside of the House, are using the tax reform proposals as a means to indicate or show blame for taxation increases in this province. Mr. Speaker, I suggest that had there not been any tax reform proposals coming forward that the government because of its mismanagement, because of its lack of clarity in explaining its budget properly and establishing it and setting it properly, would have been put in a position that taxation would have had to increase in the next fiscal year. It would have had to increase because its expenditures have been understated and we already have at least nine or ten million dollars that have already been shown as being understated in the additional supplementary estimates that have been brought forward; it has overstated its revenues - and we've already indicated that in our presentation of the budget - and taxation would without question have gone up. And, Mr. Speaker, we are not going to allow the government to get away with the representation that taxation, which is misrepresentation, that taxation in this province is going to be directly attributable to Federal Government action, that is not to suggest that the tax reform programs did not have implications for Manitoba, but the implication, Mr. Speaker, is clear and the implication of the Minister of Finance's budget was clear.

What is necessary is not an increase in taxes in this province but the cutting of government expenditures, and until the government is prepared to resolve that and be able to marshal its activity and mobilize itself to be able to accomplish that objective, then I fear for the people in this province, because we are going to see an escalation that many people do not anticipate, simply because the crisis does exist, and the crisis exists because at this particular time taxation in Manitoba has reached a point where it is prohibitive and the people of this province are not prepared to take the increases suggested by the Minister of Finance. I suggest to the First Minister and the Minister of Finance if he thinks that the people in this province are going to be prepared in addition to the tax reform proposals, which will not save them money, which is going to cost them more money, if he thinks the people of this province are going to be prepared

(MR. SPIVAK cont'd) . . . . to have the government enter in and tax on the estate level, I think he's got another think coming.

MR. SPEAKER: Ministerial Statements. The Honourable Attorney-General.

HON. A.H. MACKLING, Q.C. (Attorney-General)(St. James): Oh, apparently I cannot ask a question of the honourable member.

MR. SPEAKER: Tabling of Reports; Notices of Motion; Introduction of Bills.

#### ORAL QUESTION PERIOD

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SPIVAK: Mr. Speaker, my question is for the First Minister or the Minister of Municipal Affairs. I wonder whether he can indicate whether Mr. Dutton's appointment to this province or his tenure of a year is as a result of an appointment for a year or has he received some leave of absence from the Government of Saskatchewan for the year that he'll be putting in here?

MR. SPEAKER: The Honourable Minister of Municipal Affairs.

HON. HOWARD R. PAWLEY (Minister of Municipal Affairs)(Selkirk): In answer to the question, as we had indicated in the statement, the appointment of Mr. Dutton as the General-Manager is on a one-year contract basis, one-year agreement insofar as the province is concerned, the Province of Manitoba. The Saskatchewan Government has given Mr. Dutton a one-year leave of absence so he could enter into the contract here.

MR. SPEAKER: The Leader of the Opposition.

MR. SPIVAK: Mr. Speaker, the reason I didn't have that information, I don't think that information was given in the House before. I wonder if the Minister can indicate Mr. Dutton's salary or his compensation for the year.

MR. PAWLEY: The salary of Mr. Dutton will be divulged in the normal course, to the extent that there will be an Order-in-Council that will be passed at the cabinet level within a very short time that will divulge the salary.

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SPIVAK: I wonder if he can indicate, will Mr. Blackburn's salary be altered or will it remain the same?

MR. SPEAKER: The Honourable Minister of Industry and Commerce.

HON. LEONARD S. EVANS (Minister of Industry and Commerce)(Brandon East): Mr. Speaker, the Honourable Member for Swan River a few days ago asked whether there were any layoffs, or intended layoffs at The Pas Forestry Complex and the answer is that there is no intention of layoffs of employees.

I might indicate to honourable members of the House that the employment level in the pulp and paper division at The Pas totals at the present time, 301 persons; in the Woodlands Division, including contract logging, employment actually has been increasing from 202 in May to 285 in June, and it's expected that by the end of July there will be 381 persons involved. This type of work, as you know, is seasonal. With respect to the Lumber Division, employment there too has increased from 88 in May to 97 in June and we expect 104 in July. So therefore in total we have approximately 790 persons employed at The Pas Forestry Complex.

MR. SPEAKER: The Honourable Member for Rhineland.

MR. JACOB M. FROESE (Rhineland): Mr. Speaker, I wish to direct a question to the Honourable Minister of Finance. In view of the statement he just made in the House, is it the purpose of this government to have the Federal Government involved in the estate taxes just so that the two NDP governments, Manitoba and Saskatchewan, won't stick out like sore thumbs in having the estate taxes applicable in Canada . . .

MR. SPEAKER: Order, please. Order, please. The question is argumentative. The Honourable Minister of Finance.

MR. CHERNIACK: . . . just respond to say that I believe that the provinces of British Columbia and Alberta are keenly interested in the impact of the Federal Government's plans in relation to their own position. The fact is that Alberta does receive revenue from estate taxation in certain respects and it would be a loss in revenue to them. The fact is that in British Columbia as far as I have been able to gather so far, again the problem of gift taxation on the federal level affects their ability to collect their succession duty taxation; so that although the question of course, I agree, Mr. Speaker, was argumentative, nevertheless I did want the opportunity to correct the false impression that the Member for Rhineland had.

MR. SPEAKER: The Honourable Member for Souris-Killarney.

MR. EARL McKELLAR (Souris-Killarney): Mr. Speaker, I'd like to direct a question to the Minister of Finance. Could he indicate to the House whether amendments to the Insurance Act will be passed to make it possible for private insurers to sell excess insurance?

MR. SPEAKER: The Honourable Minister of Finance.

MR. CHERNIACK: Mr. Speaker, I didn't hear the question in its entirety but I heard enough of it to know that I cannot respond at this stage. I'll have to see in Hansard just what the question was and how I would respond to it.

MR. SPEAKER: The Honourable the House Leader.

MR. GREEN: Mr. Speaker, as you are aware, Municipal Affairs Committee was called for this morning and there will be delegations waiting for honourable members. I think we can fairly anticipate that Municipal Affairs Committee will keep us occupied for the rest of the day. We are asking that Law Amendments Committee meet tomorrow at 9:30 but we also would like to come into the House again as we did today. So my understanding is that it's relatively agreeable to everybody that we adjourn now and meet again tomorrow morning at 9:30.

On that basis, Mr. Speaker, I would move, seconded by the Honourable Minister of Labour, that the House do now adjourn.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried and the House adjourned until 9:30 Thursday morning.