



ISSN 0542-5492

Fifth Session — Thirty-First Legislature
of the
Legislative Assembly of Manitoba

**DEBATES
and
PROCEEDINGS**

30 Elizabeth II

*Published under the
authority of
The Honourable Harry E. Graham
Speaker*



MG-8048

VOL. XXIX No. 43B - 8:00 p.m., MONDAY, 23 MARCH, 1981

Office of the Queen's Printer for the Province of Manitoba

MANITOBA LEGISLATIVE ASSEMBLY
Thirty - First Legislature

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WESTBURY, June	Fort Rouge	Lib
WILSON, Robert G.	Wolseley	Ind

LEGISLATIVE ASSEMBLY OF MANITOBA
Monday, 23 March, 1981

Time — 8:00 p.m.

CONCURRENT COMMITTEES OF SUPPLY
SUPPLY — HEALTH

MR. CHAIRMAN, Morris McGregor (Virden): Order. We're on line 3, Hospital Program — pass — the Member for Transcona.

MR. WILSON PARASIUK: I'd like to ask one question about the Birch River Nursing Station, what's happening there. The people in the community there are concerned that there is some move to close it or is it closed right now? I'd like to know the status of it and what the intentions are.

MR. CHAIRMAN: The Honourable Minister.

HON. L.R. (Bud) SHERMAN (Fort Garry): We have not been able to obtain a doctor for Birch River, Mr. Chairman, and the community has not been able to obtain a doctor.

We have service supplied to Birch River from Swan River and we have a number of instances in which people have gone out or are going out to Swan River for medical attention, but despite the best efforts of the board and the community, we have not so far seen any success in attracting a doctor. I don't think we've had any comment or any request or appeal on the situation in recent months that I know of. It's been very quiet and there's been no pressure from the community on that subject, but it just hasn't been possible to attract a doctor into Birch River.

It really bespeaks the problem that afflicts rural areas everywhere today, Mr. Chairman, the question of the one-doctor practice. We've almost moved beyond it and unless you can get at least two doctors to go into a community, you have grave difficulty. No one individual doctor wants to be on call 24 hours a day, seven days a week and this certainly is a factor of the times and Birch River is in that position.

I'd like to if I could — the Member for Transcona may want to ask further questions on that point or on other points — but at 4:30 I hadn't completed my reply to the Honourable Member for Elmwood. He had raised a question in general terms with respect to the supply of hospital beds in Winnipeg and in Manitoba generally. I would just like to detail very briefly for the Committee, Mr. Chairman, the fact that indeed last year, late last summer and early last fall, there were very extensive pressures that had built up on our hospital bed supply largely as a result of acute care beds and emergency departments being under some duress and demand. I must say it was not unique to Manitoba or to Winnipeg.

In meetings with my colleagues, the other Health Ministers in Winnipeg in September and in Toronto later in the fall, it appeared to be a national condition that for lack of better explanation, can only be described as one of those cyclical things that occurs in medicine from time to time. There was in the summer and fall of 1980 in most major urban

centres across Canada, a very heavy demand on acute care beds and emergency departments.

We felt because of the unique climatic problem that we face here in Winnipeg where we have a heavy volume of demand on our hospitals in the wintertime, that we couldn't dare go into the winter with that much stress and strain on our hospital bed supply. So during the fall we had a series of meetings between officials of my office, the Health Services Commission, the MMA, the Hospital Administrators in Winnipeg and Personal Care Home Administrators to put together a program that would help us get through the winter and bridge the gap between then and the coming summer when a substantial number, several hundreds of new personal care beds will be coming on stream.

We did that and it worked out very successfully. It included the return to rural hospitals of a number of rural patients who were occupying acute care beds in Winnipeg, particularly the transfer of patients back to Flin Flon who had been transferred into Winnipeg in the course of a strike of the Flin Flon General Hospital. We managed to free up a number of acute care beds at several hospitals in Winnipeg including Grace and Misericordia and the Municipals. We got the MacEwan Residence open at St. Boniface which involved an expansion from 25 beds to 56, which was an expansion of 31 beds; it meant those people could come out of acute care beds and go into the psychiatric facility where they belonged.

We got 116 beds open at Seven Oaks. We achieved considerable co-operation from the panelling process and the personal care home admissions process where we were able to shift the priorities a little bit to put more emphasis on admissions from hospitals. We opened, through the co-operation of the Fred Douglas Lodge and the Presbytry in charge of Fred Douglas Lodge and Deer Lodge Hospital, a 32-bed personal care unit at Deer Lodge and we opened a 63-bed personal care unit at the Health Sciences Centre. That combination plus a couple of other minor adjustments, produced a rapid and very necessary increase in availability of acute care beds in the Winnipeg system during the winter, and the pressure has been off since approximately the new year period.

We have received comments, I personally have had comments from medical directors at various of the major general hospitals in Winnipeg since early January, commenting very favourably and positively on the turnaround in the situation. In total, in all, the system including those personal care beds which are to come on stream during the next few months, produces an expansion in the capacity of the hospital and personal care home system in Winnipeg, of a total of 817 beds during the 18-month period, December 31st, 1980 to June 30th, 1982. It's an 18-month program and at the end of that 18 months, the capacity of the system will have been expanded by 817 beds.

As of the end of December, Mr. Chairman, it had been expanded by 231 of those 817 beds and there have been more beds freed up in the system since that time. So we've made good progress on the plan, on the campaign and the pressure that was being

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experienced late last summer and early last fall has definitely been relieved.

MR. CHAIRMAN: The Member for Seven Oaks.

MR. SAUL A. MILLER: Thank you, Mr. Chairman. The Member for Transcona had to leave for a moment, but he asked me to bring this matter up to the Minister's attention. It's with regard to Winnipegosis. Apparently the problem — if I read this letter correctly, I just glanced at it — with inadequate number of doctors in Winnipegosis, I believe they have a fairly new hospital in Winnipegosis, with an operating room and according to this a case room, as well as a lab and x-ray and they're close to opening a new nursing home in Winnipegosis as well.

I'm wondering, can the Minister tell us whether he feels that in his opinion, that there's sufficient medical people in Winnipegosis to be able to serve the community and these new facilities that have apparently been built there, and which will no doubt attract people to the Winnipegosis Hospital, who may have been going elsewhere, but now because of the new facilities they have and the new nursing home, will of course expect to find sufficient doctors on hand in the Winnipegosis facilities? Is the Minister satisfied that in fact, there are sufficient doctors to fulfill the function and to meet the demands of a new hospital and nursing home?

MR. SHERMAN: No, Mr. Chairman, I'm not satisfied that we have sufficient at the present time. There were two doctors in Winnipegosis at one time; there's only one now and that's certainly 50 percent less than what we need. The MMA, through the Placement Bureau that has been established and funded as part of the ongoing program commitments of MHSC in the past year, is attempting to recruit another doctor for Winnipegosis.

MR. CHAIRMAN: The Member for Transcona.

MR. PARASIUK: I had to leave for a second. Did the Minister answer my question on Birch River? You talked about the doctor but I believe right now it's not classified as a hospital. I believe there's a facility there which is being treated as a nursing station. Is that correct?

MR. SHERMAN: We classify it technically as a Medical Nursing Unit, but it's in effect, a small hospital.

MR. PARASIUK: I've just heard some concerns. I was meeting with some Manitoba Association of Seniors, actually, and one of the representatives there is from Birch River and she raised this whole question with me again. They said they had raised it in the past. They're concerned that since there hasn't been success in getting a doctor in there, they're concerned, and there's some rumour around the community that the Birch River Medical Nursing Station is going to be closed down. Could I get a clear statement from the Minister as to what the intention of the Birch River Medical Nursing Station is?

MR. SHERMAN: Mr. Chairman, I was just checking with my officials and they confirm that it is closed,

which is what my understanding of the situation was. It is closed, and has been closed for approximately two years. We have told them that we are prepared to fund it, and in fact there's provision in the Estimates for doing so, if they can obtain a doctor.

MR. PARASIUK: How realistic a proposal is that, in view of the fact that a number of other places don't have doctors, and Winnipegosis which has one doctor and possibly serves a larger area, can't get the second doctor? I've heard of offers that people can't refuse but this strikes me as an offer that people, in all reality and practicality, can't accept. Are there any other alternatives? You say that if they get a doctor, you'll provide assistance. Is the Placement Bureau actively seeking a doctor on behalf of the Birch River community?

MR. SHERMAN: Yes, the Placement Bureau is, Mr. Chairman, actively seeking a doctor and I know the board in the community is actively seeking a doctor. We in the government, certainly do not wish to close or see closed any rural Manitoba hospitals, notwithstanding the difficulties of the day in maintaining some rural hospitals. In general, our approach is supportive of small rural hospitals, on the grounds that the viability of the rural community in many cases depends very heavily on the maintenance of institutions like hospitals. So we are not making any declamatory decisions, or closing any doors. We are prepared to continue funding the Birch River Hospital, if a doctor can be located.

When the honourable member asked me how realistic that is, I'm not sure that I can give him a very satisfactory answer. Birch River is about 24 or 25 miles from Swan River. It can be served and serviced by physicians from Swan River. It's in the difficult competitive position that a lot of small communities find themselves in, that professionals will very often prefer to live in a larger centre, because most times their families prefer to live in a larger centre and they're prepared to take a day or two days a week and go out and serve smaller centres. So, I don't know how realistic it is other than can be expressed by the attitude that says, let's not close any doors at this point. One can't predict with any accuracy what kinds of population shifts and trends are going to develop over the next few years, in fact, there seems to be at least a small ray of hope indicating that some people are beginning to opt for life in rural Manitoba and smaller communities over life in major urban centres. I wouldn't say there's been any significant shift in urbanization patterns at the moment but we are not closing any doors and we can only hope that some physician will be interested enough, and intrigued enough by practice in Birch River, that he or she will be attracted to it.

But I have to go back to the point I made a few minutes ago that bigger than the challenge of rural practice is the challenge of one doctor practice, one physician practice. It's much easier to encourage practitioners to go into a two practitioner community than a one practitioner community. So, I can't say to the Honourable Member for Transcona that it's realistic. It's merely hopeful.

MR. PARASIUK: One of the major reasons why I have raised this is that in the last campaign the

present Member for Swan River made that as a type of election commitment that the Birch River Hospital would be kept open and that's why the community of Birch River keeps contacting me, as the Opposition health critic, with this issue feeling that there had been some commitment, in their minds at least anyway, on the part of the government in this respect. I'd like to move on now to the — (Interjection)— Oh, my colleague raises the whole question of what about a nurse practitioner. Is there any thought being given to a nurse practitioner for a Birch River nursing station? There is a facility there, presumably a nurse practitioner could fill the function.

MR. SHERMAN: Well, there certainly is an interest in obtaining a practitioner, a qualified practitioner of any particular category. Again we run into the same problem with a nurse practitioner as we would run into with a qualified M.D., the one practitioner 24 hours a day, on call for all emergencies, seven days a week kind of environment. Certainly the practitioner who goes in there, if you are going to operate a hospital, has to be qualified to meet all emergencies and I think, all things being equal, an M.D. would be preferable but there is certainly no pre-set attitude that operates against the hiring of a nurse practitioner and the search is covering all categories.

MR. PARASIUK: Well, we have a problem now in Birch River. There is a problem in Winnipegosis that my colleague the Member for Seven Oaks raised, where they can't get a second doctor. Has the problem been resolved in Benito? I believe Benito has a hospital and they have been looking for a doctor. Has that problem been resolved there?

MR. SHERMAN: Mr. Chairman, I believe the problem in Benito has been resolved. I can confirm that the problem in Benito has been resolved and a doctor has been obtained for Benito.

MR. PARASIUK: I'm wondering, does the Minister have a list of those communities who have hospitals, that aren't staffed by a doctor or who have medical facilities like a hospital that are understaffed as is the case with Winnipegosis where the Minister says two doctors are indeed necessary but only one doctor exists? Does the Minister have a list of what the shortages are? I know we've got a Placement Bureau. We've had a number of problems; we have a couple of successes — can we know what the challenge is, what the problem is, what the scope of the problem is? Are we talking about 25, 30 communities with respect to hospitals? Or say only five or ten communities with respect to hospitals lacking a doctor or being short of a doctor and possibly in the order of 30 or 35 communities lacking a doctor per se in terms of how the Placement Bureau might define the challenge. What is the challenge?

MR. SHERMAN: The number would be about eight or nine communities lacking a doctor, Mr. Chairman. Certainly all communities in Manitoba with hospitals that are operating, either have a physician that is on site, on staff and available to deal with the requirements of the community and with

emergencies; or they are served by visiting physicians from neighbouring communities. Otherwise the hospital does not operate.

There are eight or nine communities in the province where we lack that kind of medical service. The number in terms of those that actually lack a resident physician would possibly be greater than that, Mr. Chairman. But I can advise the Committee, that among the new programs that are included in the Budget for this year which I referred to when we began consideration of these Estimates several days ago, is an Incentive Program for physicians which is aimed at meeting this need in what we refer to as medically under-served areas.

We also have the MMA Placement Bureau in place as I have mentioned earlier. The Incentive Program grows out of work that's been done by the Standing Committee on medical manpower and is designed to provide services in areas of the province that have been designated by the Minister of Health as medically under-served and also to provide specialist services in selected categories of medical specialties where there is a short supply of manpower.

The program consists of four interrelated components. One is a summer work experience for first and second year medical students; one is a program offering loans to third and fourth year medical students; one is a program known as the Rural Manitoba Residency which provides for the funding of four resident physicians over and above the 320 resident physicians that are currently approved in the province and they are designated as rural Manitoba residencies. The fourth component is the concept of the incentive grant for physicians commencing practice in a medically underserved area. It can take the form either of a guaranteed annual net professional income or an income tax free incentive grant that's payable over a four-year period.

These components of that Incentive Program emanate from studies and considerations undertaken by the Standing Committee on Medical Manpower over the past several months. In those studies the Standing Committee on Medical Manpower identified the primary barriers, as it saw them to the establishment of practice in various rural and underserved areas, and they included the condition of isolation from one's professional colleagues, lack of adequate or acceptable housing, lack of suitable practice facilities, limited social and cultural amenities, the high cost of establishing a viable practice, the high cost of living expense, the difficulty of getting temporary replacement to permit attendance at professional meetings and continuing education sessions or for vacations, lack of consultation services and the like.

As honourable members know, we did introduce a fee differential for northern practitioners which was about 6 percent two years ago, and a year ago was raised to 10 percent, which is designed specifically to help meet and overcome those barriers to northern practice. This new program containing the four components that I have suggested, is designed to zero in on underserved areas in general, whether they're northern or southern or wherever they may exist in the province. We would hope for some positive results from it with the introduction of this

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new program and the funding for it in this new set of Estimates for the new fiscal year.

But the problem is a real one and the shortage in rural areas remains, of the 1,600 practitioners in Manitoba today; 75 percent of them are in the City of Winnipeg; 425 of them are in rural Manitoba. That represents the highest total in rural Manitoba in 20 years, I believe. The number has increased from a level of around 405 to 425 in the past year but the inequities in the equation are still there and we don't think that we can meet them very successfully with anything other than an Incentive Program of this kind and we may have to reinforce and expand the incentives very substantially in the early future.

MR. PARASIUK: I'm going to ask some questions about northern doctors on behalf of my colleague, the Member for Churchill, who may be able to get back in sufficient time for him to raise them himself — if he can't then I'll be raising some questions when we come to the Medical Program — but generally in this whole area, the Minister is talking about what I'd call very traditional approaches to trying to deal with a problem that, in my estimation in a large part, has arisen because of what I'd call the traditional delivery system.

I'm surprised that the Minister will not make any mention at all of alternatives that the people have looked at and thought of with respect to trying to provide medical and health care in rural and Northern Manitoba. He has not talked at all about community health centres which provide a challenge I think to people in the health care field, including doctors, of a different nature. This is a challenge of a different nature, the challenge to try and put a team together and a challenge to try and meet the needs of people in remote communities.

I know that the University of Manitoba was very interested in the whole Churchill Health Centre and I know that there were dedicated people in the health care field who wanted to go to Leaf Rapids and I know that this was some of the talk relating to Gladstone or Hamiota. I'm just wondering whether the government continues to low profile or even dismiss the alternative of community health centres as a way of trying to meet this challenge that obviously isn't being met right now in a number of communities; a challenge that the Placement Bureau is having some difficulty meeting; a challenge that the Manitoba Health Services Commission through traditional means is having some difficulty meeting; a challenge that I think will only have a slight prospect of being ameliorated through incentives. So I would like to get a report from the Minister as to the status of all the community health centres, especially those in rural and remote communities.

MR. SHERMAN: Mr. Chairman, there's been no change in the numbers or the method of operation or the methodology of the community health centre concept since we last met to review Estimates of the Department of Health. There are 10 community health centres or community clinics in the province, Mr. Chairman, that number has remained unchanged.

MR. PARASIUK: What are they?

MR. SHERMAN: There are four in Winnipeg; Mount Carmel, Nor'West Co-op, Clinic and Citizens Health

Action; and six in rural Manitoba; the Vita Health Centre, Lac du Bonnet, Churchill, Leaf Rapids, Hamiota and Gladstone. There are no new ones and none closed.

We have in motion right now a process of amalgamation between the Health Sciences Centre and Citizens Health Action which is an objective that was mutually entered into by those two facilities, the Health Sciences Centre and Citizens Health Action, and has been approved by the government which really will meld the Citizens Health Action operations into the Outreach activities of the Health Sciences Centre, with an emphasis on adult day care, the day hospital concept and adult day care. But that's only in the process of being formalized at the present time, Mr. Chairman, so at this moment there are no changes in the list from last year.

The budgetary increases provided the community health centres have been consistent with those provided generally through the health facility field. We haven't detected any evidence that expansion or extension of the community health centre concept would help us meet the problem that the Member for Transcona is discussing, the problem of finding and locating medical professionals in underserved areas, but we would certainly be prepared to entertain any ideas, proposals or concepts that might help us overcome that challenge. We think that the new proposals that have been forthcoming from the Standing Committee on Medical Manpower will help. The designated area idea, or the designated region idea, has apparently worked very well in rural Ontario and we're certainly hopeful that it will work here. It certainly commends itself to us as worthy of a very intensive try.

MR. PARASIUK: I was wondering if the Minister could tell us which of these health centres have doctors, which ones do, Mount Carmel Clinic, Nor'West Clinic, Citizens Health Action Centre, Vita, Lac du Bonnet, Churchill, Leaf Rapids, Hamiota, Gladstone; do they all have doctors?

MR. SHERMAN: Yes, Mr. Chairman.

MR. PARASIUK: Are the doctors resident there, or on call, or providing a service?

MR. SHERMAN: The doctors are all resident in every case, Mr. Chairman. Of course, with Mount Carmel, it would be a matter of resident somewhere in Winnipeg.

MR. PARASIUK: Well, I'm surprised then that the Minister says that he doesn't think that this is an alternative worthy of consideration. We've just had a discussion of a number of communities, and even hospitals, that are having some difficulty recruiting and keeping doctors, for a number of reasons. You know, the reasons he gives are all, in a sense, lifestyle reasons. But I believe that there are some idealistic doctors who are willing to try and develop a new team approaches to delivery of health care in situations that are difficult, where traditional means may not be the answer.

I can recall some of the discussions — I was never that involved in the whole health care area as a civil servant — but I know that in some respects some of the reasons why some of these health centres got off

the ground was to try and meet that challenge. Despite the fact that you've had a government that, let's face it, at least last year and the year before, was very very much against community health centres. It said so I think, when the present government was in the opposition, they were very much against the whole notion of Community Health Centres; yet, despite an attitude on the government of, at a minimum, benign neglect — some other people might call it harassment — these health centres have existed and have doctors resident in every case, and would strike me as being a valid alternative for consideration and development and nurturing, so that we aren't locked into one system.

When the Minister occasionally has said that we have been bound by ideology, I think that this is a very clear example of the government being blinkered by ideology, not looking at empirical evidence, which I think is interesting and supportive and provides some indication of ways in which some of these challenges can be met. —(Interjection)— I'm being advised by my colleague, the former Minister of Health, that there are volunteer doctors, doing volunteer work, who are interested in this concept.

We're not saying that community health centres are the alternative; we've been saying that they are an alternative that should be looked at so that we can develop a complementary system of the delivery of health care in Manitoba, so that we have better accessibility to health care by all residents, be they urban, urban people sometimes are remote in an urban setting and that's why I think Mount Carmel Clinic has been providing a very useful function in the past, that there are people who live in Winnipeg who are socially remote in other respects, and I think maybe that's why Klinik provided a function in the past, and still does.

Then we talk about geographical remoteness, Hamiota, Churchill, Leaf Rapids, some of these communities in present day parlance, given some of the problems you have indicated before which were identified by the Health Manpower Committee, some of the problems of lifestyle, lack of colleagues, lack of amenities, some of these other communities would fit into that description as well. Yet there's been something that has kept the doctors operating there, and I would assume that there are other people that are part of those health care teams. I think that's the challenge of the idea. Can it work? Is there some utility? Can there be something to be learned by society by these approaches? That's why I would have hoped that the government would be seizing the opportunity to learn from the positive experiences of Mount Carmel, Nor'West Klinik, Citizens Health Action, Vita, Hamiota, Gladstone, Lac du Bonnet; I would think that there's opportunity for some positive experiences to be gained from, and an expansion of this program developed.

Here we are, we're talking about an incentive program, in a sense trying to appeal to doctors' financial considerations. I would think that maybe has some utility, but at the same time, although at times I've been critical of doctors when they want to go for a 39 percent yearly increase in salaries, especially given the big base that they start out from, although I've been critical of that aspect of a doctors' profession, I know that there are many committed physicians, who believe that they are

servicing a very useful purpose in society, who I think, if given an interesting challenge like a community health centre, would be quite willing to sacrifice a lot of amenities, would be quite willing possibly to sacrifice a lot in the way of income to serve humanity better. I just don't think this government is providing that option for those types of doctors or indeed, those types of health care workers.

MR. CHAIRMAN: Line 3 — pass — the Member for Transcona.

MR. PARASIUK: Well, I have one other question now that I've raised the whole matter of the 39 percent increase, or 49 — people are talking about a 49 percent increase — but I will raise one other point on the hospital side. Is it true that the government or in a sense the Manitoba Hospitals Organization has said that they would not reopen any negotiations with health care workers who are at the bottom end of the income scale in the provision of health care, even though there is something in the agreement that says that these can be reopened if both sides agree? But at the same time it has said that it would reopen negotiations with doctors because of the impact of the cost of living on doctors and I just want to get it clear from the Minister while we are on the hospital program because I would believe that health care workers would be covered under the hospital program.

MR. CHAIRMAN: The Honourable Minister.

MR. SHERMAN: As far as I know, Mr. Chairman, the Manitoba Health Organization has said that they will not reopen the two-year contract that was signed last June and was retroactive, I believe to May 1st, with the support and service workers who are represented by CUPE and approximately half the health facilities in the province. There was not, of course, in that contract the same kind of reopener trigger that was contained in the contract having to do with the fee schedule for the doctors. Further to that the two-year contract for the service workers provided an end rate increase of approximately 27.5 percent plus reclassification and the end rate on the fee schedule contract was 22.3 percent, over a two-year period, 22.3 percent. (Interjection)—

Well, Mr. Chairman, the Member for St. Boniface asks of what, and that is a very good question. I'm glad he raised it because I despair myself at times over the proclivity of all of us and particularly the media to use percentages as indicative of increases and of prevailing conditions in the wage sector, generally. The question is well taken; 25 percent of a dollar is only 25 cents but 25 percent of a \$100,000 is a lot of money, so the question is one that I subscribe to and I perhaps have fallen into the same trap of using percentages in this instance.

The 22.3 percent end rate for the doctors was based on an average gross earning of medical practitioners in Manitoba, among those billing the commission for more than \$20,000 a year at that time of about \$66,000 - \$67,000, it's higher than that now, but I'm talking about at the time the agreement on the fee schedule was reached, it might have been \$68,000 - \$69,000, today it's closer to \$77,000 or \$78,000. But that was what that fee schedule was based on, whereas in the case of the support and

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service workers there is no question that their increase was based on a much smaller base. I have to say that we do not live in, nor does this government subscribe to any philosophy that suggests complete egalitarianism across the economy and across society.

Some persons by virtue of the time effort and expenditure that they have put in to achieving their qualifications and by virtue of the competition for their services, are going to in any free competitive society, command and legitimately deserve higher incomes than others who have not put in the time and the effort in achieving qualifications of a similar nature. Now, that doesn't say that say the support and service workers should not be properly compensated for the job they do and I said at the time that we would ensure they would be recognized for the job they do. I think that the two-year agreement that was achieved last June did go a considerable distance in recognizing the needs and the rights of those service workers. I'm not suggesting there isn't a notch or two on the scale to which they should not be raised yet, but at the present time they are in the midst of a two-year contract that did attempt to address their legitimate wage requirements and MHO has indicated they are not prepared to reopen at this time, as far as I know. That's the last word that I've read from MHO. I haven't been in touch with MHO about it.

MR. CHAIRMAN: Is the Member from Transcona finished? The Member from St. Boniface.

MR. DESJARDINS: Mr. Chairman, there is no doubt that we also subscribe to that theory that you don't pay everybody the same, there is no doubt about that. But when I said of what, I wanted to make sure that it wasn't the same comparison. This is easy, MHO does the negotiating to a point but always they have to find out how much government is ready to pay, there's no premiums, the only money comes from the government, so we all know that. We shouldn't hide behind that.

There is nothing that would prevent the Minister or the government of the day to say to the MHO, fine, if they have no money they can't do anything about it. But to say well, if we're going to reopen, as the Minister said, we try to be fair with these people and we try to be fair with the doctors because I'm sure the Minister tried to be fair with the doctors, but because there is an inflation factor and we're reopening, we'll look at this thing too. There is nothing that would stop them because if the doctors are underpaid, if they are suffering because of .5 percent increase in inflation or whatever, after getting what they receive, I'm sure that we can say the same thing about the other people.

What did the Minister say the total percentage over two years for the medical profession was increased? Does that take into consideration everything? Does that take into consideration the increase in northern allowance and also the money for adjustment in psychiatrists and so on because that —(Interjection)— and the \$1 million was showing up in the two years. But it is estimated this was a result in the first year, an increase as much as 12 to 12.3 percent in the cash flow to the doctors, so that's another factor.

Now, the only point that I make — I'm glad the Minister mentioned that — at no time do I feel that

somebody cleaning the floor should get the same thing as the doctor. I'm saying that they still have their family to take care of and those people don't have any other investment anywhere else and I think that we have to be fair. Any society has to be fair. You have to recognize the people that have achieved, through work and all that, they've spent long years, but there are a lot of other factors. I'm not suggesting for a minute that the doctors are overpaid. I might, if they get a 49-percent increase over what they have now because of half of 1 percent. I don't think that would be in a period of restraint, in a period that we don't look at the other people, I think it would be most unfair.

Mr. Chairman, another factor, the Minister said that if we have to look at everything and the Minister said, well, you know, they've spent time and a lot have studied and so on and that has to be taken into consideration. If you do that, let's look at everything. Their education was paid mostly by the state, by the same people who are in fact not getting an increase in some instances, who paid their share through their share of tax, taking care of the university and that costs, the Minister knows and I know that costs quite a bit of money to the state. I don't begrudge that, in fact, I think that maybe we should hire them before they go to university with some kind of an arrangement and some kind of an agreement that they would work maybe a couple of years in the rural area, maybe certain places like other people might have to do. That might be the only solution to get the people. I want to make clear that I'm not suggesting, not even tongue-in-cheek, that everybody should be paid the same.

Mr. Chairman, I have two other questions. There seemed to be, in certain areas anyway, a shortage of doctors and I'm sure that the Minister could easily tell us that there is probably a surplus in the City of Winnipeg, not of every specialty, but some of the doctors, there's no doubt about that. That also is an important thing when you're talking about the fees. Let's remember, I don't know of anybody else in society that generates their own revenue, I don't know of anybody else. That's a factor; that's not a remark to mean that these people are not honest but, in the old days when there was no Medicare, a doctor would say, come and see me in six months or something. The people didn't bother going if they didn't feel good, now the doctor can say, come and see me next month; if he's not too busy, he can say, come and see me next week. Technically he can say, come and see me tomorrow and I know of instances that was done. Again, I want to be careful that I'm not saying that this is the practice of the medical profession but that is the case, this is one of the things, you put a lot of trust, you let them police themselves and so on, so those are all factors that are important.

Mr. Chairman, as I say in certain areas there is a shortage of doctors, and in the last days that I was there, there was discussion and we had people working on that, the Federal Government, because Ontario was quite concerned. They were getting doctors coming in from Pakistan to England and then because of their program they would move to Ontario and so on and then other provinces. The Immigration was fairly tough but I think the idea was that if the province would say, well, we want this

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person, we need them, the points would be given and there wouldn't be any difficulty. Is that the case or do you have to wrestle and fight with the Federal Government if you want to bring a doctor in here?

MR. SHERMAN: Mr. Chairman, we can bring doctors in from other countries through Immigration if we want them and demonstrate that we need them and demonstrate their designated areas where they are required. (Interjection)— No, no.

MR. DESJARDINS: There's another thing that might be a problem. I don't know where it's at now but I know in the days when I was supposed to wish and encourage a confrontation with the doctors, it wasn't a question of money because there was a ceiling. The question was very simple, there was one thing, that the MMA wanted in their contract, in their agreement, a clause that said there wouldn't be any hiring out. In other words, nobody could hire a doctor if the MMA did not agree. Now, are they coming back for this or have they abandoned that even with the change of government and does the government intend to maybe put that in a future contract where if there would be a strike or somebody with . . . service that they could not hire a doctor without the consent of the MMA; in other words, the MMA would have a veto for any doctor that's hired by the province?

MR. SHERMAN: No, Mr. Chairman, that's not a part of the written agreement and I might say that it has not come up at any time in my ministry, to my knowledge, it has not come up to me.

MR. DESJARDINS: What a difference a day or a year makes. I guess that was supposed the extent of the confrontation and I'm glad that this is the case and I'm not going to waste time on that if it's not an issue, but I can't see where a government would say, here, to people engaged in a free-enterprising . . . Then we'd say, well, you can't hire anybody else; it wouldn't make sense and it would be just like that thing that Green doesn't like about not being able to hire people, but anyway if it's not a factor, it's not a factor. That's about all I had at this point.

MR. CHAIRMAN: Line 3 — the Member for Transcona.

MR. PARASIUK: I just wanted to pass my comment on the Minister's statements regarding reopening negotiations with doctors while not reopening them with health support and service workers. The reopening trigger that the government negotiated with the doctors is tied to inflation; it's tied to the cost of living; it has nothing to do with other aspects. It basically says if the cost of living goes up by more than 10 percent it hurts the doctors and should be taken into account and, therefore, I would assume the basis for reopening negotiations is to deal with the difficulties caused doctors because of increases in the cost of living. Now surely the increases in the cost of living impact on people at the lower end of the income scale, at least as much and I would argue far greater, than they do upon people at the higher end of the income scale. So when the Minister says, well, you know, there are going to differences in what people make, I can agree with that, yes, there's

going to be those differences. Percentage settlements tend to increase the differences rather than even keep the differences constant but this is situation where I think the morale of workers in the health care field will be hurt desperately. Inflation will hurt someone; the increases in the cost of living hurt someone making \$7,000 or \$8,000 far more than they hurt someone making \$70,000.00.

We've been told that the major increases in the cost of living come from increases in food prices. So that when the Minister says, well, the government will reopen negotiations with doctors because someone grossing \$70,000 is hurt by increased food prices, I don't think it stands up that well compared to people at the lower end of the scale, many of whom are single parents who have to deal with the problem of increased food prices, a problem caused by increases in the cost of living. My colleague, the Member for St. Boniface is so right; 10 percent of \$70,000 is \$7,000 which means that the next base is \$77,000.00. 10 percent of \$77,000 is \$7,700.00. 10 percent of \$7,000 is only \$700, so the base for the next settlement is \$7,700.00. The increase, it's almost an exponential increase and I think that there has to be some way in which people say that increases in the cost of living will in fact be dealt with a different way. If the 10.5 or 10.7 percent increase in the cost of living is impacted on doctors, then I think it's impacted on everyone else in the health care field. I think we are setting a wrong precedent. We either say that a contract is a contract for two years, or if we're going to have something like a cost of living adjustment that has been called COLA by other people; if we're going to have a COLA-type of item, then it should be in there for all health care workers if we're going to have any fairness and consistency and if we're going to have a high morale. I think that's very important in the delivery of health care. Right now we've got a difference, the double standard, the doctors are being treated differently from other health care workers with respect to the way in which the cost of living impacts upon them and I just don't think that's fair.

MR. DESJARDINS: Mr. Chairman, in all fairness — and I want clarification here — it might be used by the press and maybe even by the Minister, not purposely of course, but I'd like the Minister to correct me if I'm wrong, but it's not a question of reopening the contract. It is that part of the agreement was that if there was inflation over 10 percent before last December, that the increase would be reviewed, not that the whole contract would reopen, reviewed with not necessarily a change taking place. It's just that the government had agreed to review it, but then if the government said, no, that's it, the contract is valid, it's just an honest review. Am I right? Because that's not the same as renegotiating a contract.

MR. SHERMAN: The Member for St. Boniface is correct, Mr. Chairman. The agreement was that if those conditions prevailed, the general cost increase of the second year was subject to renegotiation.

MR. DESJARDINS: Renegotiation or review?

MR. SHERMAN: Was subject to renegotiation, but that doesn't say that it would be negotiated upward, necessarily, but subject to renegotiation.

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MR. DESJARDINS: Well, I want to make that clear, because if there's no meeting of the minds, there's no agreement; whereas in a review, if there's no change, you stay with what you have. I was under the impression it was a review, not renegotiation.

MR. SHERMAN: Mr. Chairman, I interpret the section the same way the Honourable Member for St. Boniface does, but the precise wording of it is that in the event that — and here I'm not quoting directly — that the conditions to which the Honourable Member for St. Boniface referred took place, then — and here I am quoting directly — "The general cost increase of 8.9 percent commencing April 1st, 1981, is subject to renegotiation".

I would like to just respond very briefly to the point raised by the Honourable Member for Transcona in this connection, Mr. Chairman. The Member for Transcona makes the point that increases in the cost of living and increases in the cost of food impact just as heavily, if not more heavily, on the person making \$10,000 a year as they do on the person making \$70,000 a year and I don't dispute that for a moment, nor does the government.

We are not re-examining and renegotiating that level of increase in the second year of the contract because food prices have gone up. As a matter of fact, I don't think it matters much now what I place on the record in this connection because I'm sure the Manitoba Medical Association is fully aware of all the background leading up to the current negotiations anyway.

As a matter of fact, the government gave very serious consideration, and I personally gave very serious consideration, to not reopening at all, because the conditions laid down in the trigger clause were legitimately debatable. We are not reopening because of the cost of food. We are reopening and re-examining because of the technical cost increases, the overhead and professional cost increases that doctors have encountered in the past 12 months.

Just one example is the cost of x-ray film, which has escalated beyond anyone's expectations because of the unexpected and unpredictable increase in the cost of silver. There have been instances of that kind in various areas of the practice of medicine, and because of those enormous increases in technical and operating costs, I believe and the government believes that morally we should have a look at that general cost increase which was pegged at 8.9 percent with an additional 1 percentage point for shoring up in certain specialties so it came to 9.9 percent, and see whether some reasonable upward adjustment is not called for and justified in this case.

The increase to which the Honourable Member for Transcona referred, which was the subject of some initial publicity and was apparently the first position emanating from some spokesmen for the MMA, is not within the realm of increases being contemplated by the government. We struck an agreement a year ago that attempted to take into account the kinds of things that were happening in the economy, but could not foresee what was happening on the technical side of the practice of medicine.

I might say that we can demonstrate, I think unarguably, that 40 percent of the gross incomes of practitioners in Manitoba is devoted to the payment

of overhead costs, so that when you're looking at the average gross income of practitioners it is not what it appears to be on the surface. When you've taken off approximately 40 percent for overhead costs, you find yourself, I think most reasonable people find themselves asking, whether the three years of science, the four years of general medicine, the one year of internship or residency and the years of specialty training, ranging anywhere from four to seven years depending on the specialty, were worth it.

MR. DESJARDINS: Mr. Chairman, then if that is the case, maybe the Minister gave as an example the cost of certain supplies such as x-rays. Well, it's not every doctor that is responsible for the x-rays. There might be some in clinics, or many of these x-ray labs or whatever you call them, the doctors send you there. But if there is anything, or the thought might be fair and then you treat people a little more the same way if you looked at the percentage of fees that has been accepted as overhead, and maybe look at that, instead of increasing the whole thing. To look at that point and then, all right, if it costs them more and they're not losing, but that'll pay for their costs, not necessarily increasing their take-home pay, if you may call it that.

MR. CHAIRMAN: Line 3 — pass. Line 4 — pass.

MR. DESJARDINS: What's line 4?

MR. CHAIRMAN: Medical Program.

MR. DESJARDINS: I thought that's what we were at.

MR. CHAIRMAN: No, we were Hospital Programs.

MR. DESJARDINS: Why didn't you tell us we've been talking about doctors for the last hour.

MR. CHAIRMAN: The Member for St. Boniface.

MR. DESJARDINS: Then I'll have another crack at it in the Minister's Salary. Mr. Chairman, could the Minister inform the committee, if there is any change, if the physiotherapists have approached the Minister, I think they wanted an Act and then they were talking about maybe trying to have some coverage via Medicare. Is that contemplated at this time at all, or is that not? —(Interjection)—

MR. SHERMAN: Mr. Chairman, that question was asked of me in the House this afternoon and I named four of the Acts that were coming, the professional legislation coming in the health field — The Medical Act, The Pharmaceutical Act, The Respiratory Technologist and the Lab Techs. The other two are The Dieticians and the Physiotherapists.

MR. DESJARDINS: Oh, the physiotherapists. Will there be any coverage under the Medicare?

MR. SHERMAN: Not additional to what is provided, outpatient services, Mr. Chairman.

MR. DESJARDINS: Excuse me, that's through the hospitalization, not Medicare. That is a service given

by the hospital and they're on salary. They requested, I think the physiotherapists, that they be covered something like chiropractors or something like that.

MR. SHERMAN: Mr. Chairman, have we passed the hospitals line? That has been passed. We are now dealing with Medicare.

MR. DESJARDINS: No, but my question is, is there any intent of getting them covered under Medicare so I am in order?

MR. SHERMAN: Not this year, Mr. Chairman.

MR. DESJARDINS: Is there an intent later on or is that still not decided?

MR. SHERMAN: It's certainly a hope and an objective for the future but, as the honourable member knows, there are a number of applications for insured programs under Medicare and we have to proceed with them as we can justify them and afford them in the Budget. So, you know, I can only say that there is no position of opposition or rejection but they can not be accommodated this year.

MR. DESJARDINS: Will there be any debate before this is done in the House, of the way it's going to be done? I have no objection of the service being provided but you know we're talking about the high cost of health care and if we put everybody, we used to have paramedical and the Minister, I think, just gave us an explanation of what he thinks of the medical profession and I agree with him and I think that we can't just bring all these people that are doing a good job in certain areas and put them on the same system as the medical profession, on fee-for-service and that's exactly what happened to the chiropractors. Now, I might not make too many friends at this time but I think that maybe one of the things that could be considered, because I think it's in . . . of, two different professions doing the same same. Some people believe in chiropractors and I have no objection, I do too, especially when there is pressure and I can't see anybody else, they're the only one that could help. But the physiotherapists I think are there to answer the same need except they work under the medical profession in a different way. What I like about them, especially in the hospital, is that they have more time to go along and explain to you what it is and I think that's a big factor. It's an education that you can then take care of yourself and a possibility, without taking anything away from the chiropractors, would say, okay, a family — I'm not saying this is an ideal way but a possibility, something that could be studied — you might say, we'll increase the maximum coverage for chiropractors but then we'll make it a choice of the patient. Either he gets his physiotherapy services or a chiropractor's. I don't think that normally the same person would go to both. I don't think you need both services. I'm all for letting the people make their own choice and I hope the Minister can understand what I'm saying. But I can't see people going to a chiropractor and a physiotherapist, not normally. If they could combine, let's say that even if you doubled the maximum, because I can't see why you'd put a maximum anyway on some and not on

others if they're going to be covered with Medicare. I think that if the service is there it's while the people need them but the possibility of the suggestion, and I'm only asking the Minister and his department to study it at this time, to say all right for physiotherapist and chiropractic services, this is what you have. In other words you lump it for the insurance part. I don't know if that's feasible.

MR. SHERMAN: Well, Mr. Chairman, we would certainly want to examine that kind of method, that kind of approach, very carefully before introducing such a program. I appreciate the comments from the Member for St. Boniface. I can tell him that on our projections a fully insured physiotherapy program would cost \$2 million. Could I just say that there are other services, there are other practices, other health occupations, and I know that the Member for St. Boniface is familiar with them, who press for inclusion under the Medicare Program every year. We have added a program or two each year as the previous government did but I would want to just place on the record this one word of caution.

The system that we have in Manitoba and in Canada is certainly admirable and is certainly enviable. Envied by many other countries around the world and we want to maintain it and I think everybody around this table would concede that it is under siege and has to be protected very carefully because of costs, because of demands and because of limited revenues. If there is any one individual threat that I would identify as posing perhaps the greatest potential danger to the Medicare System, as we know it, it is not the threat that is so often voiced by critics in the ongoing Medicare debate, it is the demand of service after service, health occupation after health occupation, to be included under the insured program. Ideally one would aspire to a system of medical services that insured and covered everything, but that is an abstraction that simply can't be met in pragmatic or realistic terms until an economy and a society can support such a concept and until the necessary adherence to responsibility and requirement and accountability is met by all, by all of us in government, by all of us who are consumers and by all who are practitioners.

At the present time we can do so much and we want to reinforce and maintain what we've got and we can add gradually. But I have no hesitation in saying that a major threat of the viability of the system would arise if we were to accede all these requests for inclusion of new services under the insured program. I think physiotherapy is a desirable one. There are others that are equally desirable I think and hopefully we can move to them one by one.

But I put that one word of caution on the record, that desirability and practicability and affordability are different things. We can't this year in the Budget and in the new program spectrum that we have announced, include insured physiotherapy services outside of the hospital out-patient environment.

MR. DESJARDINS: Mr. Chairman, as far as the warning of the Minister that we have to be careful that we don't price ourself right out of the medical program, he won't have any argument on that at all. I don't quite agree with him when he says that the main threat is that you bring more and more

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services. It depends what services you bring, but I think it is mostly the way we bring these services. In fact covering more services might save money. Again, I'd like to make a pitch to say that it is with the high cost of providing this care I think we've got to go to para-medical. I think we've got to go to people that have expertise in a certain field. But the mistake that we make and that is why I agree, I'm not suggesting that we cover everybody and give him the moon, I would like to see a debate on this before because if I had a vote I would vote against the system proposed by the physiotherapists, I want them, I want that service. But I don't want people that are making now \$20,000 or so, maybe a bit underpaid, maybe a lot underpaid, but I don't want the minute that you cover them that they become professional in the same way as doctors and that's what happened to the chiropractors and that's going to happen to the others. That is what's going to kill the plan. —(Interjection)— The fee for service especially. Then it's a temptation again, you're generating revenue. That's another thing and you don't take the time. If you do that you're going to miss the boat, it's going to cost you a fortune and you're going to cut down on the standard and the services because a physiotherapist needs time. If he's on a fee for service and if you're giving the fee somewhere like you do to these other professionals, that's what it's going to cost you, the amount \$7 million or whatever you mentioned but I don't think there's any need to cost that at all.

My main objective in the field of health is not to create new professions or new people and say here, that's not a make-work outfit — god knows that it costs enough money — it is the welfare of the patient. Of course they're going to ask for that but I don't think they really expect it. I think that it would be a big improvement. If there's not enough of them in the hospital that you set up certain clinics but not private clinics, clinics of the government and pay them a salary, give them a fair salary, they should have a fair salary. What they are getting paid now is probably too low but there's a difference between \$20,000 and \$100,000.00, and that is when we lose track. When we talk, sure we give lip service to para-medical and nurse practitioners and so on, if we're going to pay the same as the top group, and as the Minister said they don't warrant the same kind of pay, but I don't think you need that to give the service at all. The service might save money.

If you've got instead of having to wait now, what is the choice? What are the choices? If you've got let's say a sore back, you have a choice, you go to a doctor, an orthopaedic surgeon or you go to a chiropractor, that's all you have first. Then if you go the doctors route it'll take you a while; he's going to send you to a physiotherapist and I think you've got to look at the act and you've got to release them and give them a little more consideration, always under a doctor. You've got a sore back, you have to go and see a doctor, you have an x-ray, he sends you to a physiotherapist and in another two months you have a sore back. You shouldn't start that all over again. There's got to be leeway and if these people are well trained and they usually are, they're real good, they will work with the doctor. They might give him a phone call — what do you think — and providing it's the same thing, they could tell if a

fellow's got a broken back especially if he's had an x-ray and has seen the doctor.

I'm with the Minister 100 percent. We've got a damn good plan and let's not ruin it. It is the envy of all the world, there's no doubt about it in my mind. I wouldn't want to do anything that would jeopardize that. Besides the people of Canada and Manitoba can't pay to have everything, that's impossible. But in this area in the long run, it would save you money because you would have certain things. That's what we brought in the Dental Program for and it's a proven fact — and I'm not going to start that again — but it's a proven fact that for certain things these people can do better work or at least as good as somebody that has more education, that is qualified, that is an expert in more things because that's their specialty. I think you can say that.

For instance, I would like to see inoculation and these things, I would like that to move in public health care and I still have my dream of having many of these things, testing the eyes, the ears and everything of students and keeping records of inoculations and immunizations and so on in schools. I don't know if the Minister has been in the hospital but when they come with this needle I'd much sooner see at the other end of the needle a nurse than a doctor who'll jab you, who doesn't seem to be as careful in many instances as a nurse and a nurse does it all day.

MR. SHERMAN: Especially if you're the Minister of Health.

MR. DESJARDINS: Especially if you're an NDP Minister of Health — then you're taking your life in your own hands. I hope that the Minister understands what I'm saying. I'm with him and I will always support him when he wants to make sure that we don't price ourselves out. But I would think keep the services the way are; don't create another bunch of professionals who'll be interested in fee for service and see more and more and more patients. A physiotherapist can't do the work in eight minutes or five minutes like a doctor or a chiropractor will do, especially if you want some kind of education.

My first step if I was the Minister or if I had any advice to give to the government, I would say okay bring in physiotherapists; get together with the doctors and see if they can relax a bit the relationship. Some do, but you don't have to go every two minutes to go and see a physiotherapist; they can take the phone and say, here this guy's back after a month and it works. Some doctors will go ahead and then given them good salaries — people should be paid fairly — but don't put them in the \$100,000 bracket or anything like that, like you've done to chiropractors, it's too late with the chiropractors now. There was no need for that.

There's no use having para-medical people if they're all paid the same thing, isn't that right? We might as well wait until they have all their education and pay them the same thing. Those people would be paid. You have a clinic, and you say if there's not enough in the hospitals, they'll always work for the doctor. They won't take you if you're a new patient; they'll say go and have an x-ray; they'll do that but they'll save the doctor's time and you'll save many many hours of loss of work in that area. So I'm not that far away from the Minister. I'm not suggesting

we try all new things. In fact I'm going a little further I'm saying don't think, as you mentioned a while ago, that if you cover that it'll cost you \$7 or \$8 million, there's no need for that.

MR. CHAIRMAN: Line 4 — Medical Program — the Member for Inkster.

MR. SIDNEY GREEN: Yes, Mr. Chairman. Did somebody have the floor? —(Interjection)— Maybe I can move back to that item.

MR. CHAIRMAN: We're going on to the Minister's Salary next for the member but we are on Medical Program.

MR. GREEN: That's what I wanted to discuss, Mr. Chairman. I wanted to ask the Minister whether he has any policy at the present time with regard to extension of the right of a person to seek advice from persons who are not medical practitioners, such as chiropractors. I know that the chiropractors are entitled to benefits or people — it really should be stated properly — that people who go to chiropractors are entitled to benefits the same as citizens who choose a doctor for the same work. Now are there any other areas that the Minister is considering in this respect?

MR. SHERMAN: Outside of the additional insured programs that we've announced, Mr. Chairman, that fall into specific categories with which I think the Honourable Member for Inkster is familiar, the Orthopaedic Shoes Program for one, the answer would be no.

MR. GREEN: Mr. Chairman, I wonder whether this is entirely fair and I wonder whether the Medicare Program — and probably all of us are at fault with that because we immediately consider that it's a Medicare Program, it must relate to doctors — but there are people who disseminate health services who are not medical practitioners, but who we recognize as disseminating health services or delivery health services, that they are qualified and accepted as delivering the same type of health services as a medical doctor does, but we tell the citizen that if he chooses that person he has to pay for it himself, whereas if he chooses a medical doctor the public pays. Now my friend, the Member for St. Boniface said we're not discussing the private school question but we're discussing, Mr. Chairman, a situation which is probably more compelling than the private school question. —(Interjection)— We permit a person to choose a school and pay for part of it. My friend, the Member for St. Boniface would say we haven't gone far enough.

But why is it that a health service that we recognize, that is acceptable, that requires the training and that is the delivery of the same service, why do we insist that we chase a patient who would prefer to go to one person who delivers the service rather than a medical doctor, we chase him to the doctor and then we have a tremendous problem — and I'm not trying to dodge this problem but I don't wish to make it more acute than it is — in negotiating the fees with one particular profession? Now I'll go to one that I'm sure the Minister has heard from and I have heard from them and I will put

that on the record that I have heard from them, but the case that they made seemed to me to be reasonable and therefore I bring it up.

The fact that I was called upon and spoken to — I was called upon by the psychologists — the psychologists say that they are entitled to practice the psychology; that psychology involves the delivery of health services up to a certain point; that the psychiatrist will deliver those services, be paid publicly and if I wanted to go to a psychologist instead of a psychiatrist or the Minister, we would be pushed away by the public from going to that person because if we went to the psychiatrist they would pay, if we went to the psychologist they wouldn't pay. I think that there must be other areas, Mr. Chairman.

A chiropractor is entitled to do certain things to your feet. We have an Act. We have a limitation on the practice. They are prohibited from doing certain things but they are trained; they have to go to a school; they are delivering a service that we recognize and accept in the Province of Manitoba and we have people who prefer them. Mr. Chairman, they must prefer them because they go to them and pay their own way rather than going to a doctor and having it paid for them. So obviously some people are very much wanting to do that.

I will mention, Mr. Chairman, and I will also disclose that I represent them in a particular case, but the Minister, in answering these questions, is going to have to answer for other professions that we recognize, that require schooling, that obviously have a clientele and we say to the person, if you go to a medical doctor we'll pay; if you go to a naturopath we won't pay. I'm not talking about a naturopath doing something that only a doctor is permitted to do. We know that a naturopath cannot practice surgery and I don't think he can prescribe drugs but he can do other things that doctors do. I suppose he can give a diet — I'm looking at Dr. Johnson hoping that he will nod or shake his head but he won't do either. They are licensed to practice; they have an Act. The chiropractors are licensed to practise; they go to school; they have an Act. They will remove a wart, I think they are entitled to do that. (Interjection)— Well, Mr. Chairman, the Member for Pembina makes light of them.

MR. CHAIRMAN: One member at a time.

MR. GREEN: The fact is, Mr. Chairman, that I don't know what the best way is. I happen to be of the conservative philosophy that says that the medical people are the best people; I happen to be sort of engrained in that system but I don't know that. I'm sure that if I had to have something like that done I'd probably go to a medical doctor but there are people who don't agree with me and they will go, spend their own money and go to a chiropractor, go to a chiropractor before we paid them. I remember the Member for St. Boniface was one of the strongest people on this issue. We did it for the denturists, too. We made the denturists legal because we knew that many people wanted to get their dentures made from a denturist rather than a dentist. Now surely the Minister, especially because of the negotiations that he is involved in, does not want to tie the public or himself to relying solely on this profession.

I can't answer the psychologists because I didn't think of it at the time when we were discussing

Medicare. Here's a man, he is fully trained, he cannot prescribe a drug but he can, as I understand it, engage in psychoanalysis because that is not the prescription of any drug. He cannot do certain things that a psychiatrist can do but he can do some of the things that a psychiatrist can do. If you go to a psychiatrist for that treatment the public will pay; if you go to the psychologist for the same treatment the public will not pay. It seems to me that we are driving people into the hands of one profession when we recognize and accept the fact that there are other professionals who can do the work.

Now, why would the Minister not be looking at that, particularly at a time when the medical profession, for reasons which certainly they would justify to themselves and maybe could be justified to many others, are the toughest people to negotiate with? Does the Minister think that Manitobans should have a greater freedom of choice? Because I suppose even I am not so free-thinking as to permit them to go to witch doctor and pay for that. Whereas the person might think that's the best doctor for him, I am not suggesting that there be that complete licence, but professions that we recognize, professions where we know that there is a school where a person has to become qualified, that they have to go through a course. Why do we not permit the citizen the freedom of choice to go to that person and pay the same amount that we are now paying to the doctor for the delivery of that service? I'm asking a question, Mr. Chairman.

MR. SHERMAN: Mr. Chairman, the basic answer would be because the system can't afford it at the present time. There is also the question of qualifications, of diagnostic capabilities, and of definitions of treatment and diagnosis and professionalism, but the basic reason is because the system can't afford it at the present time. I agree with what the honourable member says about the clinical psychologists. They are indeed a group, a professional group, which has asked and, in fact, been asking for some time for inclusion under Medicare as an insured program. A few moments ago the Member for St. Boniface raised the case of the physiotherapists which is another such group. We have, of course, had approaches from the chiropractors and from the pediatricists and the Member for Inkster has referred to them. We've had approaches from the nutritionists; we've had approaches from a wide range of health occupations for inclusion under the insured service spectrum. We cannot afford to include all those services under Medicare at the present time and we have proceeded as best and as responsibly as we can to add an insured program or two each year. There are a substantial number of health professions and occupations included under Medicare now if one considers, not only the conventional specialties and disciplines of medicine but the prosthetic and orthopedic specialists, the optometrists and the chiropractors.

In the case of psychologists, clinical psychological services are covered in a hospital setting. They are an insured service inside hospitals. (Interjection)—Yes, what the clinical psychologists have asked for is insured coverage in their offices, that's correct. The difference, and I think the Member for Inkster has already alluded to it, primarily is the training,

specialty qualifications of a psychiatrist as against a psychologist. Certainly a psychologist can provide therapy and does and certainly they provide a valuable service in the mental health field in our society but they cannot prescribe drugs or medication where the psychiatrist, of course, can. The differentiation, at least in professional terms, has some bearing on the approach I think that government has to take with respect to qualifying specialties and services under the insured service spectrum.

I have not, by any means, closed the door on clinical psychology or on physiotherapy as potential future insured services under Medicare, not by any means. But, as we discussed a few moments ago, Mr. Chairman, in my opinion of all the threats that exist to Medicare, to this enviable system that we have, the biggest threat is, I might say relentless, although certainly gentlemanly pressure, from group after group, occupation after occupation for entry into the system. If one looks at the program spectrum and one looks at the budget for the Manitoba Health Services Commission, some \$654 million this year, and the total Health Budget as a percentage of the total provincial Budget, I think that one would fairly and reasonably have to conclude that Manitobans, through their tax dollars, through their commitment to pay for services for their fellow citizens and themselves, are paying a substantial portion of that outlay, or directing a substantial commitment and portion of that outlay to health care services, not the least of them being insured health services under Medicare. We have to make sure that we can afford what we are going to be able to do.

We have added some \$2 million worth of insured programs this year. If I were to add clinical psychologists we project the initial year's full year cost of adding clinical psychology services under Medicare, at this point, at being \$1.5 million; that's the projection for the first year. No doubt, that would grow but we have tried to divide up the money that is available for new programming to meet a number of other needs; a number of other health needs including high-risk maternity, including intensive care nurse training, including incentive programs for physicians, including the orthopedic shoes program that I referred to, including the Manitoba Health Research Council and additional funding for medical research. So it's a matter of making do with the dollars available and prioritizing, Mr. Chairman. I don't dispute the position that the Member for Inkster takes vis-a-vis the desirability in the long run when it's possible to add additional services like this to the spectrum but I would have to say that if we were to act hastily on these requests that come before us that we would jeopardize the Medicare system that we have in place.

MR. GREEN: Mr. Chairman, I'm more sure of my grounds now than I was before the Minister answered. The Minister says that the biggest threat we have to the Medicare system, to the high-quality Medicare system in the Province of Manitoba, is the adding of such services.

MR. SHERMAN: In Canada, I would say.

MR. GREEN: Mr. Chairman, I suggest to the Minister that the biggest threat that Canada and

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Manitoba have to the Medicare system is that it will provide a basic, high-level income for doctors which they will then supplement by saying that they won't work for that and work for more and which I have always said that they should have the right to do because I never tell somebody that he should provide a service at the rate that I think he should get. Therefore, the freedom of a doctor to opt out I don't challenge. If he opts out and wishes to deal with the patient directly and then doesn't involve the plan and is able to make the arrangement that the patient will get money from the plan, pay him and that there is no assignability, no involvement of the plan, he has that right. The biggest threat that Medicare has in Canada and in the Province of Manitoba, although we have managed to have only 7 percent opted out doctors, is that there will be a larger and larger number of opting out that the so-called "better doctors" will opt out, and that people will be restricted, if they want to get Medicare for the fees that the public pays, will be left with a smaller selection of doctors; that's the biggest threat. And if the member feels that what I am suggesting is a threat, I'm suggesting that exactly the opposite is the result.

There is no need at this point to say that because you will permit a chiropractor to get paid publicly the same way as a doctor doing the same thing, there is no need to assume that the person who goes to the doctor will continue to go to the doctor. He may be going to the doctor because society doesn't pay the chiropractor and therefore he should have a choice of going to the chiropractor and getting the public to pay for that service in exactly the same way as they pay the doctor. The person who is now going to the psychiatrist might have wanted to go to a psychologist. He may have gone to a psychologist and said, I would like you to help me and the psychologist could say to him, I would like to help you but I want you to know we will have to make an arrangement for fees. Then the person says, well, doesn't Medicare pay you? He says, no, Medicare doesn't me, it pays the psychiatrist. The patient says, thank you very much, I'll go see my psychiatrist. What is happening is that you are driving citizens and preventing them freedom to choose the kind of medical services that they will get and because of that you are elevating the price which the doctor is able to demand. Then you have a problem, because then the problem of the doctor being in the exclusive position of being able to receive these funds is in an exclusive position to demand more money. In the long run if you have a greater number of people who are able to deliver a service, then the amount of people that themselves deliver the service reduce the bargaining power of a smaller group of people. Therefore the Minister should be looking at this suggestion, not from the point of view of increasing the draw on the medical funds but in the last analysis providing more options for the citizens to be able to get the service and to get the service at a reasonable rate and less people opting out. I've also said this, Mr. Chairman, with regard to the Minister's and the government's virtual abandonment of any effort to provide an alternative form of health care system.

I respect the fee for service system, but I don't think that it's the only system, and with the greatest

of respect I think that there is much argument to say that it's not the best system, not that I would refuse a doctor the right to do it. There are medical clinics in the United States, and the Kaiser Clinic is a perfect example, which is a private clinic it's not a government clinic, but who practise medicine in a different way. The Minister, who is concerned with the integrity of a plan which will provide citizens the opportunity of obtaining medical care at social rather than individual expense, which is the key, and says that he wants to protect that and I kind of believe that he does. I don't think that he wants to see the doctors of our province in a position where they feel so strong in their position and also so dissatisfied with their fees that they will say, fine, I'm not going to work for Medicare, I'm going to work for my patient and my patient will get what he can from the Medicare system and I will charge him again, and I'm not talking hypothetically; that's done.

In Manitoba we've managed to not have it reach the proportions that it has reached in other provinces, but there's no guarantee that it won't. I'm not sure what the Minister is going to be told in this current round of negotiations, but I sure remember sitting in the other committee room talking to the doctors and their lawyers and we were on the verge of a medical strike in the Province of Manitoba because of the desire of the doctors, and I believe it was a misunderstanding, to be able to be in a position to veto health policies. That's the kind of thing that can occur when you put all your eggs in one basket. Now there doesn't happen to be that many baskets now, but surely we should not be limiting the number of baskets. Furthermore, we are actually doing a disservice to those people who say I want to go to a recognized practitioner, a man who practises a skill, which you have licensed, which requires a degree or at least requires an education for the delivery of a limited type of service. That same service if I went across the street to a person with M.D. on his door, the public pays.

Now I don't want to go to both of them. Therefore I'm not certain that when you say that that it's going to increase you by \$1.5 million you're not calculating it as if some of the people who now go to M.D.'s would go to a psychologist, or some people who now have their feet treated by a doctor would go to a chiropractor, or some people who used to go to a doctor for back treatments would go to a chiropractor.

Really the citizen is being short-changed, because he is being denied his freedom of choice and being driven to a particular discipline rather than having his choice of discipline. It's not a one-way street; it doesn't necessarily mean that it's going to be a matter of bucks. It could be in the long run a reduction of the demands that are made in terms of the delivery of health service.

I think that the plan that the former Minister of Health set up with regard to dental nurses would not have been a more costly plan. In the long run it would be a less costly plan. The Minister is, I think wrongly — why do I think wrongly because nobody has all the answers, but he's placing his faith in one profession, nobody has all the answers. I think it's a pretty good argument on the part of the citizens that another profession may do more for him than the medical profession. Then he says up until now I've

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been paying out of my own pocket rather than going to a doctor I've been paying this man because I believe he does more for me. Who are you to say he's wrong? Or me?

MR. SHERMAN: I don't disagree, Mr. Chairman, with the Honourable Member for Inkster when he says that a major threat to Medicare would occur with any substantial kind of opting out by the medical profession. I do disagree with him when he says that is the major threat to Medicare. He disagrees with me when I say the major threat is the capability and capacity of the people, of the revenues of the province and the country to support the system that is in place right now, and that can be jeopardized by the too rapid entry into the system of too many other occupations seeking coverage under the insured service spectrum. He disagrees with me on that. It's an honest disagreement.

In any event, let us say that we can agree that mass opting out is certainly a major threat to Medicare. I would ask him to consider the position that I take with respect to the other major threat, which I see at the moment as a bigger threat. Nor do I quarrel with the logic of the Honourable Member for Inkster. I think he makes his case with impressive logic. I don't think, however, that his case is based on a sound premise. Our experience in terms of adding other insured programs to the insured program spectrum has not been one which has produced a reduction either on the demands placed on the medical profession, the interest generally shown in the medical profession by the public or the volume of work generated by the medical profession.

In fact, our experience has been quite the opposite. I think if one looks at the occupational groups that have been added to that range of programming one clearly sees the evidence of what I am saying. This is not to suggest that because that has been the experience after adding chiropractors and some other health occupation groups to that spectrum there should never be any consideration given to adding other health occupation groups.

But I do challenge the premise on which the Honourable Member for Inkster constructs his very logical argument. I think it makes excellent reading and it makes excellent argument, he was the Minister of Health once, I think experience that one has as Minister of Health even for a limited time, and heaven knows that any of us is only Minister of Health for a limited time, demonstrates quite clearly that addition of other occupations, health groups and occupations, into the system or entry by those other occupations into the system has to be approached very cautiously and carefully in the current economic context of Medicare. We cannot for example say, well, we will displace several millions of dollars out of that \$654 million Health Services Commission Budget and spend it on adding chiropodists or adding clinical psychologists because it's going to save us so many millions of dollars on the regular conventional medical services side. We can't say it because I think I can suggest without fear of contradiction that it won't happen, it won't happen. The majority of people still turn and will in my view continue for some considerable time in the future, to turn to the conventional medical practitioner.

The system in the country, in all provinces including this one, of producing a fairly impressive

crop of medical school graduates year after year has an impact and an effect on that Budget too. All provinces at this present time through the provincial Ministers of Health and through their Deputies are intensively studying this whole question of medical manpower supply and "oversupply". Some provinces have moved to reduce intakes in their medical schools. Some provinces are moving to specifically recognize a certain number of internships and residencies only for certain specialties and declaring that they shall not be filled by interns and residents of any other specialty. If they're not filled by that particular specialty, they're to lie vacant because of some of the imbalances that are building up. I don't think Manitoba can move on this kind of challenge or this range of challenges unilaterally. We can certainly do it in concert with other provinces of Canada tied in with us into our national Medicare system. Certainly those are problems that are being addressed by the Health Ministers.

Today we're looking for solutions to problems that include this problem of manpower supply and imbalance in supply. The result of that, in the course of these next few years and particularly in the course of this decade, may well be that we can shift the system some degrees both along the lines of those proposed by the Member for Inkster and in some of the directions that I favour, which call for a much greater emphasis on particular specialties which have not been terribly heavily emphasized up to this time.

In the course of these efforts to shift and change the system, I believe we probably can win the attitudinal battles that have to be won where the medical profession is concerned, where the whole sense of responsibility to the people of Manitoba and the people of Canada and the taxpayers of the country are concerned, where the whole sense of responsibility both from the practitioner and the consumers view vis-a-vis use and overuse of the system is concerned, but we're not there yet. To move in the current context to add additional, fairly expensive insured programs, I think is dangerous and would jeopardize the funding base that is attained and achieved by no small effort, both in this province and our sister provinces at the present time. I close no doors and I respect the argument made by the Member for Inkster, but my experience in the brief time that I've been Minister of Health is that adding those additional occupational groups at the present time will cost me money that I haven't got and that he hasn't got. If I start to jeopardize the system that's out there, that was put in place initially to guarantee Canadians and Manitobans that they would have an adequate standard of conventional medical care, then I think I'm doing nobody a service. Certainly refinement, improvement, expansion and extension, all those things are desirable, but the initial rationale for Medicare and hospitalization surely was to put in place a system that relieved Canadians of the worry of illness and the attendant bills of illness. For most Canadians that means conventional medical services and conventional hospital services. We're having a difficult and a challenging time maintaining that system, not that it's in danger of collapse. We are maintaining it and we're going to maintain it and we're going to continue to reinforce it. but I think we have to be very cautious and frugal about the

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application of the available funds that we have, and the kinds of things that the Member for Inkster talks about, although desirable as long-term objectives, are ahead of their time at the moment. It's not that we haven't thought about them. I've been through many discussions with these groups and with my officials and I appreciate the advice of the Member for Inkster and assure him it'll continue to occupy our attention and our consideration, but in 1981-82 we are committing the available revenues of Manitobans to the extent that we can commit them and we cannot add any of these additional programs that he and I have been discussing.

MR. GREEN: Mr. Chairman, I appreciate the concern and the seriousness with which the Minister has both listened to my submission and answered my questions, and I'm not going to prolong the subject. I do say that he is looking at it from the point of view of adding occupations. I am not looking at it from the point of view of adding occupations. I didn't have in my mind, when I was arguing Medicare for years and years, that there were different people who delivered health systems and that people chose to go to different people. I didn't know, frankly that the psychologist was different than a psychiatrist or that the chiropractor was not performing the same work as a medical doctor, and therefore, it never was in my mind at the time that I was going to be making an exclusive recipient as the medical doctor. Had it been brought to my attention more forcefully I hoped that I wouldn't have been thinking as conventionally as the Minister is now putting it back to me.

I'm not thinking of adding occupations to the medical service. I'm thinking of caring for the health of Canadians, who in their judgment see that health best looked after by somebody in the health field who doesn't happen to be a doctor. What we are doing is driving people into the doctor's office; we are not permitting them to choose and I believe that in the long run that will cost us money, it will not save us money. I do agree that experience will show that when you added chiropractors, you didn't have people leaving the doctor and going to their chiropractor; that generally those people who wanted a chiropractor still went there. That was a particular skill which probably had achieved some prominence in that particular type of injury which maybe was even more highly regarded than the medical people, at least to those people who chose to, they swore by them. We had one of them in this House and I'm sure he swore by them.

So, it never was as latent to me as it is now, because I've now seen that we should have licenced other people to go into the health field and I'm not thinking of adding those people. No, that's not the point of view I have at all. I'm not thinking of that guy coming in and getting it. I'm thinking of the citizen who wants to go to somebody and is told we will pay you if you go to a doctor, but we won't pay you if you go to a psychologist. That seems unfair.

MR. CHAIRMAN: The Member for Transcona.

MR. PARASIUK: I'd just like to raise one element of this in terms of experience, and the experience tends to reinforce the position put forward by the Member for St. Boniface and the Member for Inkster. The

Minister says that if we allow people to see these other people in the health care field, that somehow this will increase the expense. Well, the point is society pays for those expenditures anyway and in Canada by going into a partially comprehensive system, because it's not quite fully comprehensive, we have been able to provide, in my estimation, a far better health care system than the United States with approximately 7 percent of gross national product being spent for health. In the United States without having that type of system they have spent 9 percent of the gross national product on health. So, I think that if we try to improve the comprehensive health care system that we have which is public, we'll find that over the long run we'll get a more complimentary system. We'll get people, I think, making better choices and I think that our record in relation to the American system, which is far less comprehensive than ours, will continue to improve in terms of the percentage of gross national product that is spent on health.

I wanted to, while we're on the Medical Program, raise a couple of questions in relation to Northern Manitoba on behalf of my colleague, the Member for Churchill, who can't be present but asked me to raise some questions on his behalf. I'm wondering if I can find out how many doctors there are north of 53 and where they are located and how this compares with three years ago?

MR. CHAIRMAN: The Honourable Minister.

MR. SHERMAN: Mr. Chairman, I believe the latest figures that I saw from the College of Physicians and Surgeons indicate that our position with respect to supply of physician manpower in Northern Manitoba is better than it was two and three years ago. It has improved numerically in a small but notable way, but I'll have to get those specific figures for the honourable member, I don't have them.

MR. PARASIUK: Okay, if I could just add one other item to that for the Minister to determine, I'd like to know where the doctors are actually located as well? The Minister indicated in prior discussion some of the things that are being done to deal with the general problem of shortages of doctors in Manitoba, in both rural and Northern Manitoba, so I think that my colleague can look at that of Hansard for that type of answer but if you could just submit this information with respect to northern doctors to myself, I'll pass it on to my colleague. That would be sufficient at this particular time.

While we're on the Medical Program, I'd like to ask the Minister if he has informed the chiropractors that he will not be proceeding with the professional association legislation. It was their understanding, and I guess because we consult the same groups my understanding, that the government would be proceeding with a professional bill for the chiropractors. The Minister is now saying that they aren't. Has he formally informed them of that fact?

MR. SHERMAN: Yes, Mr. Chairman, we have informed the Manitoba Chiropractor's Association that we won't be proceeding with their legislation this Session, but we will be continuing to meet with them over the course of the next few months to resolve some of the unresolved aspects of that proposed legislation that are still in front of the two parties.

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MR. CHAIRMAN: Line 4 — pass. Resolved that there be granted to Her Majesty a sum not exceeding \$654 million — the Member for Seven Oaks.

MR. MILLER: Before you pass that I wonder, could the Minister inform us whether the amount shown for the year ending March 31st, 1981 is that going to be fully expended or will there be a shortfall in the spending?

MR. SHERMAN: Mr. Chairman, the Honourable Member for Seven Oaks is referring to the figure in the printed Estimates at \$547 million. The appropriation vote for the year ending March 31st, 1981, that is all spent and then some, Mr. Chairman. There were Supplementary Estimates of about \$19 million added to that.

MR. CHAIRMAN: Resolved that there be granted to Her Majesty a sum not exceeding \$654,049,000 for Health — pass.

We turn to the Minister's Salary, 1.(a) — the Member for Seven Oaks.

MR. MILLER: To follow up, the Minister indicated there was a \$19 million supplementary Estimate. Do you mean supplementary Estimate or special warrant?

MR. SHERMAN: That was a special warrant, Mr. Chairman.

MR. CHAIRMAN: 1.(a) — the Member from Transcona.

MR. PARASIUK: Yes I don't want to . . .

MR. CHAIRMAN: 1.(a)(1), I should . . .

MR. PARASIUK: I don't want to take the time of the committee on an item, but I assume the Minister will still be getting me that information that I asked him the other evening with respect to personal care homes; which ones were private, which ones were non-profit, which ones had submitted audited financial statements?

MR. SHERMAN: I have received that material early this evening, Mr. Chairman, and I'll be able to give it to the Member for Transcona without delay.

MR. PARASIUK: Well, since we've come to the Minister's Salary I'd just like to sum up with respect to the two major items which we feel are the major issues with respect to the Health Estimates as presented. We feel that the one big issue is the wild oscillation in health care spending by the government and it would appear that the health care spending is not related to need as much as it should be, but rather to the cycle of electoral politics and we believe that this has hurt the health care system in Manitoba.

Our evidence is a shortage of nurses, a shortage of nursing home beds, acute care beds plugged up with extended care patients who should be in the nursing home beds that were frozen or cancelled. There are waiting lists for acute care beds in hospitals. There are waiting lists for elective surgery

and we feel that this is a major result of the restraint that was practiced in the first two years and we note that the deficit really hasn't changed. In fact, over the last while it has gotten worse. We have that concern and we feel that there should be a more regular type of health care spending because surely the needs of the population do not oscillate between 4 percent and 19 percent on a yearly basis in terms of what their health care needs are.

The other major issue we feel is the whole issue of private profit making nursing homes. We've had an opportunity, unfortunately I would say, to get a window into the operation of one private profit making nursing home and what we see is not a good picture. We wonder whether, in fact, that's not the case generally.

Some initial survey results of health care workers and nurses indicates that there are problems in the personal home care field because of past restraint, but that these problems are magnified tremendously in private profit making institutions. We find that the evidence in other jurisdictions, in other provinces and in the United States indicates to us that when profit is the incentive for the provision of nursing home care to elderly people in personal care homes that the quality of service deteriorates and ultimately we're concerned about the quality of service. We don't want to build in economic incentives for private entrepreneurs to decrease the quality of services in order to squeeze out more profit. We feel that the alternative of going to nonprofit community, religious and service groups is the right alternative to follow.

We know that there is a waiting list and we've heard this before, a waiting list of at least 1,800 people waiting to get into personal care homes. That means that the demand for this type of service is strong. We need more facilities, we also need to broaden our programs in this area generally, but certainly no one would argue that expenditure in personal care homes will lead to their being under-utilized in the future; unlike the situation with schools where one might have argued that perhaps there was too great an expenditure in schools and we have some empty schools. Given the fact that our population is aging, that an increasing percentage of our population will be people in the future who are over 65, we know that these personal care homes are going to be filled up.

So, therefore, the demand is there, the need is there, and I think we are fortunate in Manitoba to have groups of a non-profit nature, community-based groups, religious groups, service groups, who recognize that this is a need and are willing to offer their services to provide that decentralized type of direction and attention required to run these non-profit institutions, their experience to date has been excellent. I really haven't come across any non-profit personal care homes that I could say have not provided good quality care to the best of their ability within the difficulties of a restraint program. They have been incredibly conscientious people. Their experience has, in my estimation, been excellent. They really have nothing to gain from what they do, apart from serving humanity. In that respect, I think we should commend them for what they have done in the past, for their past experiences, and we should try and use them to the greatest extent possible. Their experience has shown that they can do the job and do it effectively.

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In this connection, I think it's impossible for us to agree with the government policy that replaces old, in some instances the Minister says, condemned private, profit-making nursing home institutions, which in my estimation, may have been terribly rundown in the past because people have been running down the facility in order to take money away from that facility, and haven't been reinvesting their profits into the quality, or upgrading, or keeping up the facility; that it's impossible for us to accept the Minister giving approvals to these corporations, and indeed adding 120 nursing home beds of a private, profit-making nature, while at the same time having turned down non-profit groups like the Selkirk Hospital Board, like Fred Douglas Lodge, like Park Manor Nursing Home.

We think this is the wrong way to go about it. We've said that many times. We will state it finally again. I don't think this is an issue that will subside during these Estimates. It is an issue that will be debated over and over again, because it is such a fundamental issue with respect to health care. That's the way we see this issue, and we will debate it very strongly into the future. It certainly won't die here. I know the Minister knows our position on this very strongly.

MR. CHAIRMAN: 1.(a)(1) — pass. Be it resolved that there be granted to Her Majesty a sum not exceeding \$570,400 for Health — pass.

MR. SHERMAN: I would like to thank the Opposition very much for their comments and I would like to thank my own colleagues for the support that they have demonstrated, for hanging in there through the long sessions. Thanks very much.

Thanks very much to the Chairman.

MR. CHAIRMAN: Committee rise.

SUPPLY — FINANCE

MR. CHAIRMAN, Abe Kovnats (Radisson): This committee will come to order. I would direct the honourable members' attention to Page 61 of the Main Estimates, Department of Finance, Resolution No. 66, Clause 6. Tax Credit Payments — pass — the Honourable Member for Lac du Bonnet.

MR. SAMUEL USKIW: Mr. Chairman, at 4:30 I was trying to make the point that the government was somewhat unconvincing and perhaps insincere when it makes the statement that their Tax Credit Program was designed to assist those people in the greatest need. I made that observation on the basis of the contradictions that have been built in the formula itself wherein the people, who are in the greatest need, in many instances and we have shown a number of examples, are indeed penalized by that very program and that if the government was indeed intending to move in that direction, then it's obvious that if they had to make it operative or workable they would have had to have established a threshold figure below which people would not suffer a reduction of tax credit benefits. So in the absence of that kind of a commitment, Mr. Chairman, I don't see what the government has in mind, if anything, other than perhaps some public relations period for them to recapture their image with respect to the program.

Otherwise, if they don't do something by way of commitment, I don't what they are saying to the people of Manitoba when they are saying they are going to review the anomalies, so to speak, as they have described them or some of the errors or mistakes in the formula itself that has had the effect of denying people in medium to low income categories of their tax credits.

Now I think one of the other observations that should be made with respect to the whole tax credit idea, when it was first put together as a program of the New Democratic Party Government, it wasn't designed mainly on the basis of need but rather it had to reflect the escalating costs of living for the people of Manitoba. It was in part an answer to resolutions in this Chamber asking that certain exemptions be allowed under The Sales Tax Act or Revenue Act or whatever because of income categories and so on. It was sort of an answer to all of those other arguments. That's how that particular program came into being and it recognized that the Province of Manitoba wanted to share more in the area of education financing and so the Property Tax Credits were introduced and indeed amended periodically in order to reflect increased costs and increased mill rates at the municipal level. There was a series of amendments with respect to the amounts, with respect to both the Cost of Living Tax Credit Program and the Property Tax Credits. I believe each year there was a change in the amount of the credit and that was in keeping with the policy of trying to adjust with the inflationary impact in our economy, and to cushion the blow at the local level, whether it's property taxes or general taxation of the province, and so it had more to do than just trying to make it possible to respond to sort of the welfare category of people in our society. Those programs were intended to respond to all of the people in our society that were affected adversely by the inflation of our economy at the time.

So, Mr. Chairman, I don't believe that the Minister is accurate in suggesting to us that they have brought in corrective measures that would better reflect the original intent, because the original intent was much broader than what he has defined in the comments as I have heard him here in this debate.

MR. CHAIRMAN: Clause 6 — pass. the Honourable Member for St. Johns.

MR. SAUL CHERNIACK: Mr. Chairman, I'm sorry that I was unable to be present during much of the discussion of this department's Estimates and I don't want to attempt in any way to try to come back and start debating again matters that have been reviewed, but listening to the Member for Lac du Bonnet's comments about the Property Tax Credit Plan and its intent, I would say, Mr. Chairman, that I was not surprised during the debate when we brought in the Property Tax Credit Plan and later the Cost of Living Tax Credit Plan. I was not surprised that Conservatives opposed it. I was not surprised that they voted against it. I was not surprised when the then Member for Riel said that it was unacceptable, criticized it substantially, inasmuch as saying that as soon as possible after the Conservative Government came to power, they would cancel it out. I was not surprised because I felt that the plan as it was, was inconsistent with what I conceived to be Conservative policy.

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Now the last time that I was in this House was when we were debating the Property Tax Credit Plan, when the Member for Inkster challenged the Minister to talk about the fiscal policy of the government. All I got out of the Minister's responses were again consistent with what I believe to be Conservative policy on the question of any attempt on redistribution of income, or on taxation on a progressive measure, or taxation on the ability to pay principal, all of which, I believe, is a matter of lip service for Conservatives, that they don't believe in it. I don't believe that Conservatives really believe in the progressive tax system as a policy measure. I believe that when, in 1977, the Conservative Government, the new Conservative Government came rushing into this House and reduced taxation, that they did it, since they did it by attacking the most progressive form of taxation, that they were again spelling out their philosophic approach to taxation, their firm belief that leaving money in the hands of the entrepreneurs of society was the best way for the economy to develop. The old story that came up in the United States, that what's good for General Motors is good for the United States, I believe, applies to a very large extent to the philosophy of Conservatives. I can recognize it. I don't have to use abusive language in recognizing it. I disagree with it. I believe that's the case.

One problem I've had in 18 years I think, of my being in this Chamber, Mr. Chairman, is to get a Conservative to spell out his philosophic approach on the question of wealth, the redistribution of wealth and on the taxation policy. I'm still having that problem, although this Minister in a short space of time, did one of the clearest expositions on that side that I've heard. It wasn't that clear, but to me it came through fairly loud and clear, that it is good to give back taxes to those who can best use it, and those who can best use it are the ones that can develop the economy under a free enterprise system.

There was a long time, Mr. Chairman, when I believed that if one wanted to stimulate the economy, one put money into the hands of those who would stimulate it by being consumers. It is not only my belief, but my experience has shown to me that people in the upper brackets of income — and I don't use the term filthy rich that was referred to the last time we debated it — but those people who are wealthy are people who, to a large extent, don't spend the income that they earn, but invest it, reinvest it, in not necessarily productive ways. When I say productive ways, I say that if you put money into the hands of the people who are spending all that they receive, they are the people who stimulate the economy. They create a demand which is then reflected in development of goods and services, which they want. In that way, it reflects on the creation of jobs, whereas those people who are the beneficiaries of the Conservative policy of reducing taxation, or giving back taxation, are just as likely to invest their money — and I don't fault them for it in this system we have — to invest their money where they get the best return, which may well be developing a mine in the Honduras, or wherever one does, in investing in the development of other countries where the returns will be greater. They are the people who are the entrepreneurs who look to find the investments which will give them their

greatest return. They are not consumers and if they were investors in their own province, that would be good but they are not, Mr. Chairman, to a large extent. If they buy shares, and I don't talk about multinational corporations, but any corporation that does work beyond the boundaries of Manitoba, then obviously they are investing in building the economy outside of Manitoba which isn't bad if it's within Canada. We are all Canadians as the successful Mr. Davis said just the other day that no matter what his responsibility was as he felt it to Ontario, he was a Canadian first. So who are we Manitobans to begrudge the growth of Canada in the expectation that a property equalization formula will benefit Manitobans as well?

But, Mr. Chairman, it's a difference in philosophy and I think that's the important feature. We can rant and rave about management abilities; we can rant and rave about whether this Minister of Finance can do a better administrative job or not. The fact is that with the same staff and I'm happy to know that the staff of the present Minister of Finance is much the same as the staff that served the New Democratic government which is an indication of their devotion to the job which is an indication of their dedication to serving the government for the time being. It is also a recognition that they do what their government wishes them to do and in the case of this program, we are now discussing the Rebate Program. They are carrying out and making work as well as they can a plan which is approved of and directed by this government and this Minister of Finance. What to me is hypocritical about the whole process . . .

MR. RANSOM: Out of order.

MR. CHERNIACK: Mr. Chairman, I did not speak of any individual person as being hypocritical. If I did, the Minister of Finance might wake up and say what he said now but I want to tell him that what is hypocritical about carrying on a program which they opposed is that it is done because they know what the people think about it. That was the biggest example we had. The shock we had on Autopac was when the aspirant for the premiership of the province under the Conservative banner stood here on this side and said, we will not upset Autopac. After all the years of attack on public enterprise, on the Autopac system and all that it stood for, the Conservative government before it was a government made it clear they would not change Autopac and that is in real contradiction I believe in their philosophies such I've been able to understand it, hard as I could and as I tried to understand it. The Property Tax Credit plan is also, I believe, contrary to their philosophy if they have one and if I understand it correctly, Mr. Chairman. I call it hypocritical when they try to destroy the plan the way they've done this year without discussing even the basic intent of it and the effect that it has on society. By what they are doing they will, I would think if they had enough time and I don't think they will have that much time, that they would draw back and attempt to undermine the program but would not dare for one moment to cancel it, to change the tax system.

I would really hope that this Minister of Finance when we deal with his salary will tell us something about his taxation policies — what he believes about

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progressive taxation, what he believes about consumer taxation, such as sales tax, what he believes on royalty taxation, although I think I know pretty well what Conservatives do in that regard, and what they believe about a program such as the Tax Credit Plan, which has several effects, consequences, one of which is redistribution of wealth; let's face that. When you tax the upper brackets for the benefit of the lower income brackets you are redistributing wealth. (Interjection)— I didn't hear what the banker had to say over there; did he want to say it more loudly?

A MEMBER: Once you've got it made it's okay to talk that way.

MR. CHERNIACK: Mr. Chairman, he says once you've got it made it's okay to talk that way. Let me tell the gentleman across the way that if he is implying that I personally have done well then I have to tell him that I am pleased that working in his system I was able to work well. But I would like to think that other people who did not have the opportunities that he or I had would be able to have a greater opportunity to benefit in the growth of Manitoba. Those are the people I'm concerned with a lot more than the Member for Minnedosa is. Those are the people I represent much more than the Member for Minnedosa does. Mr. Chairman, that is exactly the concept that we had when we set up this plan, the Tax Credit Plan, was the opportunity to assist those who were burdened by property taxation on a flat rated basis related to assessment. We wanted to help those who were not able to cope as well with society as it was and the Cost of Living Tax Credit Plan above all is one which even returns money to people who don't pay income taxes but have been paying other taxes, both direct and indirect, and who are thus able to get back some of the money even though they're not liable for income tax.

That is a method which we thought we were working out fairly well. That is one that is being destroyed, was destroyed last year and it's amazing, Mr. Chairman, that the Minister says we are monitoring it. I don't know whether all the phone calls are directed to us; I don't believe it. I believe that the Minister of Finance in his office is getting both phone calls, letters from people saying we just realize what you did to us last year. Because I have had the need a number of times over the last few weeks of saying to people who have called me, if only you knew what we were saying a year ago — if only you knew that we saw what would happen, you would at least have expected it to happen as it did, as they now see when they open their tax returns, to make out their tax report.

Mr. Chairman, I look back at last year's debate on this particular change and I found that it came in on the dying days of the Session. It had very little debate because it was towards the end of July. That is one great danger of what happens when you bring in legislation towards the end of a Session when the heat is on both spiritually and physically and you're anxious to get out, that matters are not covered as fully as they might have. Not that this subject wasn't traversed to a large extent. It was debated, but not enough so that the public would know what the effect was of the Conservative change in this

program. Now they know and, Mr. Chairman, I don't believe that the Conservatives are not hearing what is going on. But what Conservatives are now saying is well, we're monitoring it and if there's problems we will change them, we will correct them; we are looking to see the impact. Mr. Chairman, they knew a year ago what the impact was; if they weren't I would really call them terrible managers because again I have confidence in the Department of Finance. I do believe they must have pointed out to the, not this Minister but to the Cabinet of which he was a member, what the change was and what the impact was.

If I were involved in attempting to relate it to family income as compared with the former system I at least would have made very sure of one very simple thing that could have been done, and that is to increase the minimum so that the people who would be adversely effected as they were this year would not have been adversely effected by the change in calculation. It's not just a change in calculation. It is a rather callous approach of saying to people with limited income, you have graduated into a level where you are not in as great a need. Therefore we will take away from you this coming year, this year 1981, something which you were receiving in 1980 because you are not in our category of need. That was a cruel thing to do and a callous thing to do and I think it was a politically unwise thing to do. At least if they had recognized that in their approach, their philosophic approach to the changes they wanted to make, that they would do so by at least making sure that they're not removing a benefit which had been given to people over a number of years, they would at least have been a little less cruel, a little less heartless in carrying out a program which is now bearing rotten fruit for the Conservative Party.

MR. CHAIRMAN: Clause (6) — pass; Resolution 66 — pass.

Resolved that there be granted to Her Majesty a sum not exceeding \$161,700,000 for Finance, Tax Credit Payments, \$161,700,000 — pass.

I would direct the honourable members to turn to Page 58. On a point of order — the Honourable Member for St. Johns.

MR. CHERNIACK: Mr. Chairman, on a point of order. Item no. 62 is not voted on but it is debated, Mr. Chairman, the figures are before us and we have a right to discuss them.

MR. CHAIRMAN: Item no. 62?

MR. CHERNIACK: Page 62, Statutory Debt. It's statutory, so we don't vote on it, but this is the only opportunity we have to discuss it.

MR. CHAIRMAN: On the point of order, I will allow the discussion. I just thought that if it was discussed under Minister's Salary, which I was going to refer to at this point, it could all be discussed at one time, because there is no voting on it. I don't have a resolution to call or anything of that nature.

MR. CHERNIACK: Mr. Chairman, anything could be discussed under the Minister's Salary, but the practice has always been that we deal with Public Debt, we can ask questions, specifics on (a)(1)(a)(b),

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(2)(a)(b)(c), all the rest of it. This is our opportunity to discuss Public Debt, under the proper item, but it is not voted on. When the discussion has been completed, you then would normally make the statement, "This being statutory, there is no vote on this item", but it is still an item. You realize, Mr. Chairman, you still call it not as a resolution, but it is an item and comment that it's statutory and no vote, but this is the place to discuss it.

MR. CHAIRMAN: Fair enough, I'll be guided by that. Clause 7, Public Debt (Statutory), Item (a)(1)(a).

The Honourable Member for St. Johns.

MR. CHERNIACK: Mr. Chairman, under (a)(1)(a), the Minister has made the public statement of the borrowing from the Heritage Fund of Alberta at a rate which I think was an effective interest rate of 14.05 percent, I believe, on a 10-year loan. I would like the Minister to elaborate on whether its callable at any time, payable at an earlier time, if there's any penalty involved in any form of prepayment. I'd like the Minister to tell us what studies he made and what results he learned of any comparable borrowing elsewhere in Canada or elsewhere at all.

MR. CHAIRMAN: The Honourable Minister.

HON. BRIAN RANSOM (Souris-Killarney): It's a straight 10-year issue, Mr. Chairman. We were advised at that time by the . . . managers that it was a good rate, that it was equivalent to a triple A rate, and that even just some few days later now, in that short period of time, it would appear that it was perhaps even better than we could have known last week.

MR. CHERNIACK: Mr. Chairman, I believe the amount was \$110 million. Would the Minister inform us as to what the opportunities would have been to borrow the money elsewhere in Canada by any other forum? Is there a market for Manitoba bonds at that price in Canada in this last week?

MR. RANSOM: I'm advised that a triple A rating elsewhere in Canada might have been 14.10 to 14.25.

MR. CHERNIACK: Mr. Chairman, I understood what the Minister said, but I don't think he quite answered me as to whether or not they could go on the market now and borrow. Is there money available, not necessarily what is the rate that would be payable, but would there be any difficulty in finding \$110 million at this time on the Canadian market, assuming of course that at the difference, bonds that would be sold in Canada, would be on the market, whereas I assume that the Heritage Fund takes the bonds and locks them into a coffer and they're not on the market?

MR. RANSOM: Mr. Chairman, I'm advised that it would be difficult. Saskatchewan had an issue some time back that they're having difficulty selling and B.C. Hydro had one at 14.5 on 20 years and they were having difficulty with that.

MR. CHERNIACK: Mr. Chairman, that's very interesting information which we have, and I of

course, have to put my own interpretation on what we've just been told, and that is if not for the existence of the Heritage Fund of Alberta, there would have been quite a problem for Manitoba to borrow this kind of money in this market in Canada at this rate. I hope the Minister will correct me if I am not properly reporting what I heard him say. The point I'm making about that, Mr. Chairman, is that I heard the Member for Lac du Bonnet only last week, suggest that maybe we ought to be getting a rebate of some kind from the Alberta Heritage Fund, for the fact that they were using what he called "our" money. I remember the First Minister laughed his head off, well not quite off, because if it were off, we'd know more about where we're at. But the First Minister thought it was an uproarious statement that it was our money that was being loaned back to us, but in effect, it was money that was garnered together by the Province of Manitoba out of the sale of natural resources of oil, and that because it was there and because the Heritage Fund in its wisdom and for its reasons, loaned the money of this amount at this time at that rate, that we were able to get what the Minister says is a better rate than we would have gotten, had we had to go on the market.

Now I have to remind the Minister that there's a basic principle which was stated by his immediate preceeding Minister, and which was always the policy of the New Democratic government and was always the policy of any government I ever heard of, that one tries to make ones borrowing on the Canadian market because it's repayable in Canadian dollars. If it were not available on the Canadian market, then one goes to the U.S. market, because there our exchange rate is as closely tied as possible, bearing in mind that in our own recent history and recollection, the rate has changed from I think, \$1.02 for the Canadian dollar, to somewhere around 84 cents where it is now.

But it seems to me now that we ought to be so grateful and thankful that Mr. Lougheed has built his Heritage Fund to be able to make available to us an opportunity to borrow from him at a rate which the Minister says is better than would be available elsewhere in Canada, or in any other means, which seems to suggest that if the Heritage Fund wasn't available to the government of Manitoba for it to do its borrowing, it might have had to go to the U.S. market. I'm wondering then if the Minister has ascertained what the rate would have been in the United States had the borrowing taken place in the United States at that time.

MR. RANSOM: The best rate available was with the Alberta Heritage Fund, Mr. Chairman. The rate in the U.S. might have been 14.5. I must say I've yet to understand precisely what the point is that the honourable member is trying to make about us borrowing from the Alberta Heritage Fund at what was a favourable rate at the time. There seemed to be some question in question period a few days ago as to whether or not that was a satisfactory rate to be borrowing at and it seems from the information that I have available, Mr. Chairman, that it is and was as good or a better rate than we could have expected elsewhere.

MR. CHERNIACK: Mr. Chairman, I'd be happy to help the Minister understand the point to my

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questioning. The first was the reassurance that I think we all are entitled to have, that indeed it wasn't just a nice, happy family transaction that took place but indeed one that was a happy family transaction to the extent that it was beneficial to Manitoba. I'm of course pleased that Manitoba could borrow more cheaply from the Lougheed Heritage Fund than it could on the open market. I don't know the extent to which the other provinces of Canada have the same accessibility to the Heritage Fund as Manitoba does, but I know that other provinces . . . but I think Newfoundland which to my recollection had one of the poorest of the provincial credit ratings was possibly the first one to borrow from the Heritage Fund. I start wondering on what basis these matters are conducted.

When you go on the open market to borrow money, the actual cost of borrowing may be determined by a bargaining with your managers but in the end the market tells you very quickly whether you borrowed well or you borrowed unfavourably because the day after the bonds are put on the market the market tells you what that value should have been and Ministers of Finance are very proud that they come awfully close to the same amount and maybe a little bit better, because firstly they want their bonds to continue to be marketed; they don't want to make too good a deal. On the other hand if they make a poor deal then they're obviously paying too much, more than the market expected because then their bonds go up in value so quickly.

So I have to tell the Minister that being able to make a private borrowing, having canvassed the market well is a good thing and I'm pleased they were able to do that. I don't know the intricacies of the borrowing — it may be that there has to be money set aside annually henceforth to pay it off in ten years, I don't know about that. I'm just wondering what they would do if they don't have to set aside enough to pay off the debt in ten years, what they would do when the time comes to pay it and there is no money in the coffers — I imagine they might borrow again from the Heritage Fund or elsewhere. That's a matter of interest since we expect that the New Democratic Party will be involved in having to handle the problem as inheriting it from the Conservatives, it would be a matter of interest to know how this loan will be paid off in ten years time, it being \$110 million. That's one of the questions I'm asking but I should say I am not criticizing the borrowing, I'm just discussing how it came about and I want to explore that little mystery; if he can clarify how it's to be repaid.

MR. RANSOM: Mr. Chairman, there is the same requirement for Sinking Funds that was in place when the honourable members opposite were in government.

MR. CHERNIACK: I'm assuming that means 3 percent to be set aside annually — that means that at the end of ten years it will be 30 percent in that Sinking Fund which need or need not be used to pay back that loan. I think we can agree that it's there but it's in the reserve, it need not be used to pay back the loan. Therefore the government, say this Minister were here ten years from now in the same capacity he might have to search around for \$110 million or at least 70 percent of \$110 million. I'm

wondering where he would get it and I guess he would get it where the money is cheapest and the terms are best. Which, Mr. Chairman, brings me to the point of what I was making, and that is, Mr. Chairman, if the Heritage Fund wasn't there and whether or not I agree with the Member for Lac du Bonnet that it's Manitoba money we borrowed back, surely what we borrowed back is money that was raised by Alberta government that was a windfall to the Alberta government due to the fact that the Arabs discovered what the value of oil was, and that indeed Lougheed with his friend the First Minister of this province had the opportunity, the fund would have been that much bigger because they would have gone to world price if Lougheed had the opportunity. So at least it would have come approaching world price, certainly more than it was now. Therefore whether it's Manitoba money or not, it is certainly windfall moneys that came to Alberta I think due mainly to the fact that the Arabs realized what a good thing they had in the liquid gold they had. So that's one comment.

The other comment is that when the time comes to repay, the Minister is going to look for the money if he were there in the best place he can find it. One of the logical places will be to go to the Heritage Fund and say to the Heritage Fund, will you lend us the money at current interest rates which we can then use to repay your loan and have a new loan. You know what that term is called, Mr. Chairman? It's called a roll-over in common financial parlance, which means exactly the kind of thing that we've said before that sometimes it pays to roll over a debt to obtain a longer term and to have greater benefit of interest rates.

The reason I raise it is that I believe that if the Heritage Fund wasn't there then the Minister would have had trouble to raise the money in Canada and he'd have had to go to the States. Had he gone to the States and paid 14.5 percent or whatever, he would be speculating on the foreign exchange market. That is something that has happened before and that would have happened to this Minister. He had another choice of course. He could have not borrowed the money. If he didn't borrow the money then the province would have gone into further stagnation and into further economic problems than it is now, because the money no doubt is being used in a way that will help the economy of Manitoba which sorely needs help, Mr. Chairman, which sorely needs help. To that extent I'm glad to know that the government was able to negotiate a favourable loan regardless of the motivation behind it and one that will, I hope, be used for the benefit.

But let us remember, Mr. Chairman, by borrowing \$110 million this government has pledged the credit of every person in Manitoba to the extent of another \$100; \$100 more than they owed before, unless of course anything they have had to pay off which is less than they borrowed. That I guarantee you, so that again the per capita debts of Manitoba will have gone up and I don't decry that so much because I'm assuming it will be spent for the benefits of Manitobans and at least in Manitoba which is not necessarily the case when the province reduces taxation for the wealthy and lets them invest it elsewhere.

MR. RANSOM: Mr. Chairman, there is one thing that I can assure the members of this House and the

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people of Manitoba is that after 10 years perhaps there will only have been 30 percent of that amount accumulated in the Sinking Fund but when we know that when we go to repay it that it's going to be \$110 million yielding 14.05 percent. It will not be like the present issue of Swiss francs that are coming due this year after five years and the effective interest rate is going to be in the range of 25 percent and the people of the province are this year being asked to raise an additional \$28.5 million because of that issue taken out five years ago by the honourable members opposite.

MR. CHERNIACK: Mr. Chairman, the Minister of Finance was either not listening to me — and I credit him with a great deal of intelligence — he either was not listening to me or he was deliberately carrying forward that same slogan that they have been talking about all the time. The reason I say he was not listening to me is that I spelled out for him, I think very clearly, that if the Heritage Fund was not available he'd have gone on the Canadian market; he would have paid 14.5 percent if he could have found it. Saskatchewan and B.C. apparently had trouble. Had he not been able to raise it there, he would have gone to the United States and he would have borrowed it and he would have paid it back in U.S. dollars and, Mr. Chairman, 10 years from now the U.S. dollar might be worth much less than the Canadian dollar. Then this Minister of Finance would say from some corner of somewhere or other, what a clever person I was to borrow U.S. dollars because I knew that 10 years from now the U.S. dollar will have dropped in value. That is exactly the picture . . . the Member for Inkster has made a speech, I think it was last year, I remember I was sick in bed listening on Channel 9 and I heard a speech he made which did my heart —(Interjection)— Pardon? You know, I have to tell the Minister of Transportation I would like to recognize competence wherever it is and I don't always have to look in his direction to look for competence.

Mr. Chairman, I heard the Member for Inkster make the statement that if the former Minister of Finance was as clever as he purported to be he should have been out selling Canadian dollars and getting ready to buy it as it dropped and he should have been in such a position that he would not have gone further into debt. Maybe he will make the speech again because it was a good speech he made last year. But the point I was making, for the Minister of Finance who said he didn't know why I was asking the question, was to establish for him exactly what could happen.

Mr. Chairman, there's another point that I would have made and that is that this money he talks about is always done on the basis of exchange rate changeover and never never, Mr. Chairman, is there a recognition of the beneficial interest rates that were paid. Never in all their statements, do they recognize the low interests that were paid.

Let me now, Mr. Chairman, and I have no access to the figures that the Minister of Finance has, I have not looked at them for the last three years but I would guess, Mr. Chairman, and I'm just guessing and of course I can be proven wrong but I'm guessing that had the Minister of Finance of the day rolled over that Swiss franc at what I think then was 2 percent or 3 percent interest that we'd be better

off as Manitobans today than we were when they transferred from Canadian funds and paid off the Swiss debt. I'm pretty sure I'm right, Mr. Chairman, it's a matter than can be calculated historically and if the people upstairs want to do it to my embarrassment, they can do it but they really wouldn't embarrass me because I am saying that the old principle, which was espoused by the present Minister of Energy when he became Minister of Finance, the old principle was, do your borrowing home to the extent you can. When you find it's too expensive or impossible, you go to the U.S. market; when you find that too expensive or impossible, you go to other markets. The only thing you can do is refuse to borrow, refuse to spend and it's the fate of this government that they refused to spend for so long and that they cut back in such a way that they damaged the economy. That's my point and you can talk about 25 million or 25 percent until you're blue in the face, the unfortunate thing is that many people will believe you and the fortunate thing is that some people will realize of course that nobody controls the foreign exchange market, even that man who dealt in silver, the Texan, discovered he couldn't control it. The other thing is that in all honesty and in all integrity, keep in mind the interest rate payable under foreign borrowing and you will find a difference. Unfortunately I have to agree that the market did turn bad but I repeat what the Member for Inkster said last year, if you are so smart, how much did you buy in advance to take care of all the changes that are going to take place in the future? If you are so smart, why aren't you using your clever knowledge of the foreign exchange market to your benefit rather than talk about the disadvantage?

MR. RANSOM: Mr. Chairman, the record will show that the point the Honourable Member for St. Johns was trying to make was that the province had not made full provision for the repayment of the loan in the period of 10 years and that the people of Manitoba would be asked to pick up the amount of that loan when it came due and that we had made no provision for it. I made the point that those were precisely the same set of guidelines that were followed by the previous administration with the added assurance that in this case we would be seeking \$110 million 10 years from now, not the additional \$28.5 million that we are seeking on the Swiss franc loan of five years ago.

MR. CHAIRMAN: The Honourable Member for Inkster.

MR. GREEN: Mr. Chairman, you know, I've been listening to the Minister and really he has been handling himself, I must say with some disappointment, that he has been handling himself rather well, until that he couldn't resist the urge to get up and make a silly statement about the \$27 million that we have to pay now as a result of having borrowed on the foreign market. Now he says, Mr. Chairman, that when he now borrows \$110 million, he's only going to pay back \$110 million. Isn't that what he now says? But, Mr. Chairman, if he was smart he would know that there is some currency in the world that's going to go down vis-a-vis Manitoba currency or go up vis-a-vis Manitoba currency, regardless of which, and that if he borrowed in that

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currency, 10 years from now he wouldn't have to pay \$110 million, he'd only have to pay \$50 million. So he's going to cost us \$60 million more than it should be and the only thing we don't know, Mr. Chairman, which he knows is, which currency. Which currency? Because, Mr. Chairman, he doesn't know. (Interjection)— Pardon me? Well, Mr. Chairman, nobody was playing games. Nobody was playing games and furthermore, the Conservative Government wasn't playing games because when they came into power the adverse effect of the European dollar vis-a-vis the Canadian dollar was \$100 million and it's now \$400 million. Those are the approximate figures to my recollection. So when they came into power, if they were so smart as the Minister of Transportation says they are and they knew that the Minister of Finance, the Member for St. Johns, had made a bad loan, they could have saved us \$300 million by merely hedging the money.

But, Mr. Chairman, what they have told us is that although the Member for St. Johns didn't know, they knew. Therefore the Member for St. Johns who did it unwittingly made an adverse loan of \$100 million and he has admitted it; the market went bad. But you people wittingly with all your knowledge and with the knowledge that the Member for St. Johns was wrong, cost us \$300 million and what was the value of that \$300 million? The reason that you didn't want to save that \$300 million that you all knew that you were going to lose, so that the Minister of Finance could get up and make a silly statement to the effect that the New Democratic Party Government had cost them \$27 million. And that is silly, Mr. Chairman, absolutely silly.

Mr. Chairman, the Member for Pembina says "true", and I tell him, Mr. Chairman, that is adding to the composite view of the people of Manitoba of the ignorance of the Conservative Party with respect to financial matters. (Interjection)— Pardon me? Oh, Mr. Chairman, you know they need no convincing, they absolutely need no convincing; whichever business circles I go into, their complaints are about the Conservatives, the way they have devastated this province, the way, Mr. Chairman, the way they are making that kind of statement and you notice, Mr. Chairman, you know, my real complaint is that nobody gave any credibility to the statement. After all, they tried this blockbuster that cost them \$600 million on hydro and put the province in a position where they could freeze hydro rates for the next five years, reduce taxes and freeze rates, and it cost them \$600 million on hydro and they hired a commissioner and paid roughly \$2 million to try to get substantiation of it. When the report didn't contain the substantiation, they nevertheless said it cost them \$600 million and nobody believes it. If it was a good story somebody would believe it.

So they lost this half a billion dollar story, so they had to invent another one. So they said that when the New Democratic Party was in power because it borrowed on the European market it cost the people of Manitoba \$400 million; \$400 million to \$500 million, I can't remember the exact figure. Mr. Chairman, it was such an insane proposition that it didn't even carry. I mean, I thought that I answered it very well but nobody carried it in the first place and if you don't carry your story in the first place you don't carry the answer. But it was so outrageous that

nobody would mention it, because if, Mr. Chairman, and my friend the Member for Pembina, the Minister of Transportation, says "if" and "when" and "but". If any government knew what the Conservatives pretend to know they would be elected forever, because they would buy gold at \$300 and it would be worth \$600.00. When the Conservatives came into power, what was the price of gold; about \$300.00? You know, you cost us billions of dollars. You know, the Conservative government, when they came into power they didn't buy gold and gold has doubled since that time and they could have gone out and borrowed money from the Royal Bank of Canada, bought all the gold in the world and now have doubled the price.

Mr. Chairman, I want to now reveal the greatest scandal that has befallen the Province of Manitoba since the building of the Parliament Buildings. The Conservative Administration has cost us untold billions of dollars. How did they cost us billions of dollars? Because when they came into power gold was selling at \$300 and, and I think I'm high, I don't think it was quite \$300, I don't think it was quite \$300 an ounce, but they could have made it possible for the people of our province to retire all the debts, to not have any taxes.

You know why we've got a 5 percent sales tax in the Province of Manitoba? Because they didn't buy gold and they knew that gold would go up from \$300 an ounce to \$600 an ounce, because they are smart, Mr. Chairman, because they're smart. They know that the Minister of Finance, when he borrowed on the European market was making a bad loan. Well, Mr. Chairman, it is silly and I tell the Minister of Finance for what it's worth and he won't take my advice and I'm happy he won't take my advice because he will get into a deeper and deeper hole, is that it is silly. And if they keep trying to sell that proposition they will be unselling themselves and they have done a good job at that and I expect that they will continue to do that.

Now, Mr. Chairman, up until then there is an argument between the members on both sides of the House and it was rather an interesting and rational argument. But in order to extricate himself they come out with this crazy business of the amount that you have lost on foreign borrowing and suggesting that you won't lose it on Canadian Borrowing. Mr. Chairman, that is absolutely silly. That is like saying that you know that the present relation of the Canadian dollar to the American dollar, to the European dollar, is going to stay exactly the same in the next 10 years and nobody knows that, Mr. Chairman. There is one thing that I have learned, Mr. Chairman, about debting, is that no matter how much you think you know, the fact is that there is no sure thing.

And Mr. Chairman I'll take the time of the committee to tell a very short anecdote about that. There was one fellow who had a horse in a race and it was the favorite; it was a lead pipe cinch. And as a result of it being a lead pipe cinch, the odds were virtually even; there was no sense betting on it. So as is apparently done sometimes in the trade he decided that his horse would not win and did what he did to make sure that it wouldn't win and then bet on another horse because the odds would be better on that other horse since a favorite was not going to

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win. Now, Mr. Chairman, what happened was that he had No. 9 and then as he was standing around the pari mutuel wickets he saw somebody go up and say, I'd like to bet \$50 on No. 9, and he thought to himself, gee, the poor fellow is betting on my horse but he's going to lose, and that's all there is to it. A little while later the same fellow came back and said, I want to put \$500 on No. 9 on the nose and by this time he felt a pang of conscience because after all here is as a guy betting on his horse, he's going to lose money, but he doesn't say anything, can't reveal what is happening. A few minutes later the same fellow comes back, puts a thousand dollars on No. 9. By this time he can't take it any longer. He goes up to the fellow and said, Mr., I notice you're betting lots of money on No. 9. The fellow says, that's right. He says, please don't put any more money on No. 9. He says, don't tell me what to do, I know what I'm doing. The other fellow says please, I know that No. 9 is not going to win this race. So he said, I know as much as you do. He says, no you don't understand it. I know No. 9 is not going to win; I happen to own No.9. So the fellow looks at him, he says, if you own No. 9, this is going to be a very slow race because I own every other horse.

Now, Mr. Chairman, there is no way unless the honourable member owns every other horse including No. 9, there is no way that he can stand here and tell us that the \$110 million that he says he is going to repay in 10 years is going to be the amount that the people of Manitoba should pay, investing in accordance to what will be the best result when it happens 10 years from now; so let's get off this kick. There is no mileage in it; you have not got a single person in the media to their credit. Whoever went to the public, you have not got a single editorialist. If the Member for St. Johns and myself, because I was there and I am responsible, did a thing which has cost the people of Manitoba \$450 million, because we should have known that we shouldn't borrow on the European market despite what the rates looked like and what things looked like, not a single person has come out editorially or in comment or even with a news story, trying to sell that proposition. If you're still trying to sell it, I suggest to you, go to something that is more productive because that is a silly proposition.

Mr. Chairman, I would like to ask the Minister, of the \$94 million in interest charges, does it represent the interest charges on approximately a billion dollars? Is that approximately, that is the unfunded debt, the debt that we do not get back, the interest charges that we do not get back from ourself, the corporations which are wholly paying for themselves; does it represent approximately a billion dollars?

MR. RANSOM: I'm advised it's on the direct debt of the province aside from Hydro and Telephones and so on. The honourable member, Mr. Chairman, says that it's a silly argument to —(Interjection)

MR. CHAIRMAN: Order please. The Honourable Minister has the floor.

MR. RANSOM: I'll provide you with the answer, Mr. Chairman. He asked what the \$94 million was, I said it's on the direct debt aside from Hydro and Telephones. The honourable member says that it's a silly argument to say that the loan that was taken out

five years ago in Swiss francs and falls due in February of 1982 is the fact that we have to budget money now in order to be able to repay that loan unless something drastic happens between now and next February, it is going to cost the taxpayers of Manitoba many many millions of dollars more than was anticipated at the time. Now they can label that as silly and I guess they can go to the people and tell the people of Manitoba that is the kind of assessment that they make of the financial affairs of the province, that it isn't true that it's going to cost the people —(Interjection)— Well, he said he didn't say that but if he didn't say that it isn't true, then he is somehow trying to ignore an amount of money far in excess of what was anticipated at the time was going to have to be paid back. What he's saying in effect is that there really are no good guidelines to follow in borrowing and that one takes their chance on the roulette wheel or they take their chance on the race horses.

Mr. Chairman, I don't think that kind of approach will be especially impressive to the people of Manitoba but if they want to persist in putting forward that position, so be it. I don't plan to debate that in detail to try and show them where in fact the position that we've taken happens to be the factual position that faces the government as of today.

MR. GREEN: Mr. Chairman, I didn't say it wasn't the factual position but the Minister got up and said that on account of this type of borrowing, that's what's going to happen. I'm suggesting to the Minister that has nothing to do with the kind of borrowing it was, that with the same borrowing that the Minister is now making in terms of paying \$110 million 10 years from now, that he could suffer the people of the Province of Manitoba to pay much more than they should have paid had they found out which money was going to reduce in value as against the Canadian dollar and borrowed in those funds. That's what I say is a silly argument. To suggest that this constituted some form of malpractice or wrongheadedness on the part of the New Democratic Party government, Mr. Chairman, is a silly argument. The fact of how much was borrowed, how much was advanced, Mr. Chairman, even that is silly to blame that on anybody because if it's to be blamed, it's to be blamed on the people who knew that this was silly and didn't convert it when they came into office. If you're blaming, if you're saying that somebody should have known, then when you came into office there are ways to deal with that. You buy foreign currency, it goes up; you immediately make money and you pay back in the foreign currency.

Mr. Chairman, in 1976 the Canadian dollar was \$1.03 as against the American. In order to buy a Canadian dollar you had to pay \$1.03 American as recent ago as 1976. Now if the Minister says that in 1976 he was going to borrow money and that he could have done it more cleverly, what he should have done is buy American dollars and then when it came back to pay in Canadian dollars you would be paying 84 cents instead of 100 cents or 103 cents as it then was. That's where the Minister is being silly, not to cite the actual figures. Nobody challenged the figures but the astuteness, Mr. Chairman, the suggestion that the figures are adverse because of some lack of astuteness is to show lack of astuteness on the part of the Conservative

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government because in 1977 if they thought that this was bad loans, and that the European dollar was going to go up, all they have to do was buy European dollars and then pay back in European dollars. (Interjection)— Pardon me?

MR. RANSOM: With what?

MR. GREEN: With what? You can borrow money from the bank to buy foreign currency. That's one of the things that you can do or you can ask the foreign lenders, we now owe you \$100 million, we would like to pay you 110 today and pay you a bonus and then you save \$17 million and they will do it. But, Mr. Chairman, the Honourable Minister asks, with what? As if again to show that he knew and that the real reason that he couldn't do it is because he didn't have the wherewithal. Mr. Chairman, that is sillier. If you knew you would get the wherewithal, ask the banker from Minnedosa. If you could go to the banker for Minnedosa and tell him that I know that this is bad and I will guarantee you that it is bad and therefore we want to convert the loan and pay it off and we will pay you half of what we gained by doing it. You could do it. There are ways of doing it. If the Minister of Finance doesn't know the ways, then he is showing ignorance, not the person who made the loan in the first place. (Interjection)— I asked the Minister, the banker, to get up, Mr. Chairman, to get up and say that what I said is wrong, that you couldn't borrow if you knew. But the point is, Mr. Chairman, you don't know, because if you own No. 9, it's possible that somebody else owns every other horse, so you don't know; you don't know.

Now, Mr. Chairman, I asked the Minister a simple question and I want to get an answer. He should have it very well on his fingertips. I said that the \$96 million in debt charges, is that to carry a debt, is that the finance charges on a debt of approximately \$1 billion? Ah, now we're getting . . .

MR. RANSOM: That would be \$1.202 billion. Mr. Chairman, I do not for a minute accept the argument that the honourable member makes, that facts are silly and that somehow the public is going to hold a government responsible for not speculating in foreign currencies. We're not talking about what might have been done. We're talking about what has been done, Mr. Chairman. When the taxpayers of Manitoba borrow a dollar in Canadian funds, and they're asked to repay a dollar in Canadian funds, they will recognize that they have not gained or lost on that. They are not going to look, as the Member for Inkster says, that we should not have borrowed in Canadian funds, that we should have borrowed in Hong Kong dollars or some other currency, because that would have been better. That demonstrates how the honourable members opposite think, and if they think that the public aren't going to look at the borrowing that they did five years ago, and which the government has to now repay, then I think they're sadly mistaken, Mr. Chairman.

MR. GREEN: Mr. Chairman, I'm willing to let it rest there. The Honourable Minister of Finance, the Minister of Finance of a corporation that is expending \$2.200 billion says that the best and surest way, and the only thing that the people can understand, is that if you borrow in Canadian funds,

you pay in Canadian funds and therefore you don't lose anything. I am willing, Mr. Chairman, to let the matter rest at that, to see who is silly, because I will concede the facts of what the member says. I do not say that the facts are silly, I say that the Minister is silly; not the facts.

On the \$1.200 billion of the "dead weight debt", it's called, I would like the Minister to tell me whether that includes the debt that is generated by the last three deficits of the Government of Manitoba. In other words, \$1.200 billion, I would think that the last three deficits, including this year's, would be about \$300 million minimum. Does the \$1.200 billion include that \$300 million?

MR. RANSOM: All the borrowing that's been done to date, Mr. Chairman, so that would include, I suppose, at least a substantial proportion of that.

MR. GREEN: There is \$300 million of Conservative debt in this \$1.200 billion. Just let's cogitate on that. That means 25 percent of this entire debt has been accumulated in the two-and-a-half, three years of Conservative administration, and this year we're going to have another \$200 million minimum, unless there is a tax increase, and I don't think there will be, so that means that of \$1.4 billion, \$500 million, which is more than one-third, will be generated by the debt that has been accumulated by those people over there who can't live with a \$55 million difference in debt; they can't govern. But they will have accumulated by this year, by the time we have to borrow for the deficit of 1981-82, \$500 million, or half-a-billion dollars on which I would expect — and again I want to ask the Minister whether it is correct — that in the following year that the finance charges on the debt that has been accumulated by Conservative governments will be roughly \$50 million per year. Would that be a correct calculation? I would like an answer to the question.

MR. RANSOM: Which year is the honourable member referring to?

MR. GREEN: I'm being low, I believe, on the three previous deficits, and I'm talking about the deficit for 1981-82, which I am suggesting will be in the neighbourhood of \$200 million, which will mean that by 1982, we will have to have borrowed a total of \$500 million to pay for the debt that has been accumulated by the Conservative Party in the short period while they've been in office.

MR. RANSOM: If the honourable member is asking about 1981-82, Mr. Chairman, he'll have to wait until the Budget.

MR. GREEN: The Minister is not being silly any more. Now he's reverting to his more rational sense, in that he is not going to fall into a trap and give me a figure based on a 1981-82 Budget, which I say will be a minimum of \$200 million and I respect him for that. I'm not going to call that silly, because that's clever.

In any event, Mr. Chairman, I'm now going to go on that figure, on the basis of what I suggest you will have. The \$300 million I know about; that's not guesswork anymore. As a matter of fact, it's probably more and I'm being reasonable by saying

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\$300 million. The \$200 million, Mr. Chairman, I am predicting, and I believe I am predicting low. So that means that in the years of Conservative power — and they will be the last years — that by the time a New Dem . . . a new government takes over, — (Interjection)— yes, I almost said the unsayable then, because I don't believe that is going to happen — (Interjection)— yes, that would be a silly statement, that's right — but I didn't make it; I caught myself. You know, that's like inertia.

Mr. Chairman, \$500 million; \$50 million a year in interest charges; 1 percent of sales tax, or almost 1 percent of sales tax. One percent of sales tax starting in 1982, will be paid solely, Mr. Chairman, in debt retirement interest charges; not debt retirement, but interest charges, because all we are talking about here is interest on public debt. We're not talking about the retirement of the debt; you also have to pay back money. One percent of sales tax starting in 1982 on this restraint-conscious government, Mr. Chairman, a Saunders every year from 1982 on. That, you know, took us eight years to accumulate a \$40 million loss at Saunders and people were fed by it, people bought materials and supplies from Manitoba contractors. I'm not saying that this justifies it but it didn't all go for nothing, but this government in \$500 million worth of debt will be more than a Saunders every year, will be a heritage in debt repayment charges, that the people of Manitoba will have to pay for the deficits accumulated by the Conservative Government.

And what is worse, Mr. Chairman, the deficits, those interest charges, will not at that time be producing anything. The money did produce something when it was fed. There were things that were purchased from it but that money has been spent. The interest charges on it will be paid by the people of this province for the mortgage term which the Minister says is ten years and I want to know whether the Minister has any policy with respect to debt charges, with respect to how much debt charges a Conservative administration, and that's what I think I started with, fiscal policy because, Mr. Chairman, I don't disagree with the expenditure of public funds for valuable social and economic purposes but I believe there has to be the courage to go out and tax for those funds and pay for them because the longer we do not pay for them, the more we have to pay for nothing, for something which doesn't put any food into the mouths of the people of Manitoba, doesn't put any clothing on the backs of the people of the province of Manitoba, doesn't put any shelter in the communities for the people of Manitoba, doesn't build any roads for the people of our province, but simply interest on debt and I, Mr. Chairman, have my views as to how this should be dealt with and they are not inconsistent and you can go and ask around.

I was prepared to go for increased expenditure but I also felt that every time an expenditure was increased beyond the normal level of expenditures that there should be increased taxation and, Mr. Chairman, you can go to the record. In 1969 when I said eliminate the Medicare premium, which was \$30 million a year at that time, I never said eliminate the Medicare premiums, I said eliminate the Medicare premiums and put two cents on sales tax, which at that time was \$15 million per point which was \$30

million, and we didn't put it on sales tax but we put it on income tax.

Now I want to know with regard to the increased expenditures of the Conservatives, because you've now increased the 1982 Budget by \$20 million without adding anything. When you have your deficit of \$200 million this year, the next year we'll be paying \$20 million in debt retirement charges, added to the \$30 million that has already been paid. Is there any guidelines that the Minister has, as to how much debt charges we should be paying? And I won't fault only the Minister. We were ones who contributed to the debt charges but the Conservatives said that they would not do any of that. Now what is the position with regard to debt charges, because those are the charges, the \$30 million are already definite; the \$30 million are not speculative but the \$20 million will be surely added, Mr. Chairman, And I believe that I am underestimating that deficit.

MR. CHAIRMAN: The Honourable Member for Lac du Bonnet.

MR. USKIW: Mr. Chairman, yes, I want to ask the Minister of Finance whether or not it is correct or whether he would confirm that he expects that the exchange rate between the Canadian and the U.S. dollar over the next 10 years is going to remain as is?

MR. CHAIRMAN: (b) — pass. Anybody else? All right. Clause 2. (Interjection)— Excuse me. Who's got the floor? Is it the Member for St. Vital? The Honourable Minister —(Interjection)— I can't tell.

MR. RANSOM: The advice that seems to be available at the moment, Mr. Chairman, would be that the position of the Canadian dollar might improve marginally over that period of time but of course the honourable member is fully aware of the difficulties of those predictions.

MR. USKIW: Well, Mr. Chairman, I asked the Minister the question because he seems to hold us sacrosanct the position that the best place to borrow money is in a Canadian market because he is convinced that he will only have to pay back the same number of dollars that he borrowed, that he won't be affected by exchange rate fluctuations. So that means to me, Mr. Chairman, that he has come to the conclusion that the exchange rate between the Canadian dollar and all other currencies in the world are not going to improve vis-a-vis the Canadian dollar for the next 10 years. That's what he is telling us. That he has looked in his crystal ball and he knows that by 10 years from now that he will have in retrospect conclude that he made the right decision in borrowing the \$110 million from the Alberta Heritage Fund and that other currencies will have not effected that wisdom, Mr. Chairman.

MR. CHAIRMAN: Order please. The Honourable Minister on a point of order.

MR. RANSOM: Yes, a few days ago, Sir, you said that you would take as notice or take under consideration a question of whether or not a member could rise to interrupt another to correct a

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misleading statement that had been made vis-a-vis what the other person had said. I'm wondering, sir, if you have made a ruling on that yet?

MR. CHAIRMAN: No, at this point I have not and I guess I'm at fault. I have had the time and I just didn't get around to it.

The Honourable Minister.

MR. RANSOM: Did I rise on a point of privilege then, Mr. Chairman, to object to what the interpretation that the Honourable Member from Lac du Bonnet has placed on what I said? He says, that I said, that the best and only place to borrow was in Canada. That is not what I said, Mr. Chairman. I said that the issue that the loan that was obtained from the Alberta Heritage Fund was the best available at the time.

MR. CHAIRMAN: The Honourable Member for Lac du Bonnet.

MR. USKIW: Well, Mr. Chairman, I would like to know from the Minister then, whether or not he has sought the advice of his officials in the Department of Finance and the brokerage firms, as to whether or not there is any reason to consider borrowings outside of this country at the present time and what that advice has been?

MR. RANSOM: Indeed, Mr. Chairman, we seek advice all the time, on a regular basis. The advice that we had was that that loan from Alberta was the best available at the time. When the government is in a position of having to go to the market again, it is possible that the American market might be the place to go at the time; perhaps not. We know that the Alberta Heritage Fund will not be available to us within the short period of time again.

MR. USKIW: Well, Mr. Chairman, then I want to ask the Minister of Finance whether, in making the loan from the Alberta Heritage Fund, whether the Minister took into account the, according to him, marginal improvement in the exchange rate as between the Canadian dollar and the U.S. dollar?

MR. RANSOM: Mr. Chairman, I think the Honourable Member from Lac du Bonnet knows that the advisers within the department and the investment dealers that the department consults with outside of government, take into consideration a great many factors in assessing what is the best opportunity available at the time.

MR. USKIW: Yes, would the Minister confirm that he had determined from the Department of Finance, from the very same people that he is now asking advice from, whether or not there is a deviance of policy between the recommendations of the Department of Finance with respect to foreign borrowings in the years gone by, from in fact their own recommendations?

MR. RANSOM: If the honourable member wants me to go back and defend the borrowing policies of the previous administration, Mr. Chairman, I will not. If he wants me to comment on the competency of the staff within the borrowing policies of the government, I will. I think they are extremely competent.

MR. USKIW: Mr. Chairman, I expected the Minister to say that he had confidence in his advisers and that he is listening to the same advisers as did the previous administration and that at the moment this is the best advice he is getting with respect to where to borrow money. And I would suggest to him also, and I'm sure he won't deny it, that has always been the case and that he is not in a position to cite an example where the advice was in one direction and the government took a different direction as a result of which there was a loss to the people of Manitoba. If he has such an example I would invite him to recite it, Mr. Chairman, for the benefit of members in the Assembly.

But given the fact that the Minister argues the point that he wants to pay back \$110 million to the Province of Alberta 10 years from now, is he not assuming that is in fact, the best financial position for the Province of Manitoba? In making that decision, is he not confirming that in his opinion and in the opinion of the advisers, that he would not be able to do better elsewhere? That in other words the suggestion or the argument put forward by the Member for Inkster that it's possible, that with exchange fluctuations, that he might be able to retire that debt with \$75 million, is not practical or he does not expect it to occur?

MR. RANSOM: Of course, it's possible, Mr. Chairman. Whether or not it is probable is another question.

MR. USKIW: Well, Mr. Chairman, the next question I wish to ask the Minister is whether or not there is any reason why the government will not or would not or could not roll over the particular loan transaction that he made reference to which comes due next year and that's a loan from Switzerland that was taken out five years ago, I believe it was? And, oh yes, Mr. Chairman, the interest rate as well?

MR. RANSOM: I wonder if the member would elaborate on the last question.

MR. USKIW: Yes, and what the interest rate would be. Mr. Chairman, I would also want to know what the interest rate would be if he wanted to roll it over?

MR. RANSOM: I think that's impossible to say, Mr. Chairman. The loan is due in February of 1982 and it's not possible to say what the interest rate would be at that time and again I suppose it is possible to go on borrowing on top of the present borrowings. It is a question of whether or not it is advisable.

MR. USKIW: Yes, would the Minister be in a position to indicate just what the interest rate is at the moment on that loan?

MR. RANSOM: The rate is 5.25.

MR. CHAIRMAN: The Honourable Member for St. Vital.

MR. WALDING: Thank you, Mr. Chairman. I wanted to bring to the Minister's attention another issue while we're speaking of Swiss francs and the rise in value of the Swiss franc and the additional payments that are facing the province.

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Mr. Chairman, we had a meeting of Public Utilities Committee on Friday afternoon when the Manitoba Telephone System appeared before the committee. Towards the end of a rather long afternoon we got onto the matter of MTS's financial statement and their new practice of putting aside money into an investment fund to pay back some of these issues. One that was brought to our attention or at least came up during discussion was a 100 million Swiss franc issue that's listed in the System's report as being worth \$49 million at the time of issue. As at March 31, 1980 it's some \$63 million which indicates that an appreciation in value of approximately \$14.5 million on almost \$50 million as of March 31st last year. This according to my quick arithmetic looks like an increase of 33 percent over the amount when it was borrowed, which is even more than the 25 percent that the Minister had mentioned on another issue.

However, when we queried the Director of Finance for Manitoba Telephone System we were told, and it appears in the report itself, that the rate of borrowing at the time was 4.5 percent. It doesn't give a date here of when the loan was taken out. I assume it would have been mid-Seventies or towards the end. It's an issue that matures on November 1, 1983. We asked their Director of Finance what the effective interest rate was, given that there was approximately 33 percent increase in the value of the Swiss franc and also carrying 4.5 percent interest and what he told us was that this translated into an effective interest rate of 9.5 percent. That raises the question — was that particular Swiss issue such a bad deal after all? Is it a bad deal as of today showing an effective interest rate of 9.5 percent when the Minister has just borrowed a large sum of money from Alberta at slightly over 14 percent? I suggest, Mr. Chairman, it really wouldn't make any sense even if the Minister could do it under the present terms of the loan to pay off the 100 million Swiss francs foregoing an interest rate of 9.5 percent, in order to replace it with \$63 million on the Canadian market at 14 percent. The obvious question that arises is, what's going to happen to the value of the Swiss franc over the next two few years? The System's Finance Director suggested to us that he hasn't got a crystal ball any more than anybody else has but they expected it to stabilize at a rate approximately that in 1978. Now if that continues at the rate of 9.5 percent it obviously makes good sense to continue with that particular loan and even to extend it if it is possible.

So I suppose the question to the Minister is: Do his remarks about the other loan also apply to this particular issue? It's 10P, by the way. Looking backwards with that 20-20 vision that we all have in looking backwards, does he agree that it was a bad thing to do back in the 1970s and presumably that was when the previous government was making these terrible decisions to borrow money? Is 9.5 percent a bad rate and would the Minister turn in the issue if he had the opportunity right now?

MR. RANSOM: Mr. Chairman, the only information that we seem to have before us is for one loan for the Telephone System that was taken out in January of 1974 for 80 million Swiss francs and the amount of principal that's going to be required to repay that is going to be approximately double. I'm afraid the

honourable member would have to provide some more specific information if I was to find a different one. This seems to be the only one that we have listed.

MR. WALDING: Mr. Chairman, the issue of which the Minister refers is also listed in the System's Annual Report, that is Series 1Q, 6.5 percent due January 3, 1992 for 80 million Swiss francs. The figures in case he wants them is an original \$25 million, now estimated \$51.5 million.

The issue I was referring to in my remarks having to do with a 9.5 percent is Series 10P, 4.5 percent due November 1, 1983 — 100 million Swiss francs. If the Minister doesn't have note of it there I'd be very glad to pass him over my copy of the Annual Report of the Manitoba Telephone System which list that and other long-term debt. This is listed by the way under the heading of Province of Manitoba Advances to the System. The issue that the Minister mentioned, Series 1Q, is listed under Bonds Payable, if that's of any assistance to the Minister.

MR. RANSOM: Mr. Chairman, it is listed here then but the point was it was borrowed in the name of the government rather than in the name of the Manitoba Telephone System.

MR. WALDING: Mr. Chairman, I really cannot see why it should make any difference, whether it's borrowed directly by the System or by the government in the name of the System. The terms presumably are still the same, a 4.5 percent issue, which is now estimated by the Manitoba Telephone System as having an effective rate of interest of 9.5 percent. It was that point that I was making with the Minister, not who borrowed it directly or indirectly.

MR. RANSOM: All I was pointing out to the honourable member was that in the description that he gave of the loan, first of all, I was trying to find information for it listed under Manitoba Telephone System. He subsequently gave me information that allowed me to identify the loan under the name of the government.

MR. WALDING: Mr. Chairman, the Minister still doesn't answer the question as to whether that was in fact a good issue and whether it remains a good deal at 9.5 percent.

MR. RANSOM: As it stands at the moment, Mr. Chairman, I'm accepting the information that the honourable member provides as having come from the committee last Friday. That would have to be compared to a Canadian rate at the time of about 9.6 percent.

MR. CHAIRMAN: The Honourable Member for St. Johns.

MR. CHERNIACK: Mr. Chairman, the Member for St. Vital just said it's six of one and half a dozen of the other. I think there's a little difference — 9.6 as compared with 9.5 according to the Member for St. Vital so it sounds like it's still a good deal, better than the Canadian.

Mr. Chairman, I was intrigued to hear that you can borrow today on the Swiss market at 5.5 percent —

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that's what the Minister said. Yet he borrowed Canadian dollars at 14.05 percent from Alberta — \$110 million for ten years. The difference, Mr. Chairman, between the rate of interest payable on a Swiss borrowing now and the rate of interest payable compulsorily for 10 years without any opportunity to prepay to the Alberta Heritage Fund, the difference between the amount payable to Alberta and the amount payable on the Swiss market would be 8.55 percent, and I'm not quick enough to multiply. Well, that's not so, I can do it. I calculate that the difference in the annual interest, could it be \$9 million — \$9.4 million? Because the government, this Minister, has committed himself to paying Alberta \$14-plus million a year for the next 10 years to finance his borrowing from Heritage Fund and he says it's a good deal and it sounds like a good deal. But he also told us on a 5.5 percent borrowing in Swiss francs at 5.5 percent, the difference is 8.55 percent per year, which means to my way of thinking, instead of paying \$14 million, he'd be paying \$5.5 million — a saving of about \$8.5 million a year. I'm pretty sure, Mr. Chairman, that if he borrowed Swiss he couldn't borrow for 10 years firm, he'd probably have to borrow for a lesser period of time. He might have to pay it off by paying principal annually, I'm not sure what the term would be. It'd be different terms.

But, Mr. Chairman, I'm not faulting the borrowing in Alberta, but I am saying that the apparent difference from his figures is something like \$8.5 million a year in interest alone. If it's stretched over the next 10 years, there would be \$85 million saved in interest, which is almost, not quite, the same as he will have to pay back — the principle — \$85 million compared to \$110 million. Of course the speculation would be that the Canadian dollar might drop in relation to the Swiss dollar. Considering to the extent to which it has already dropped it may be it'll go up. If the Canadian dollar goes up in relation to the Swiss dollar, Mr. Chairman, he could pay himself back by not having to pay Alberta at all, just in savings and interest.

I'm not faulting his judgment, Mr. Chairman, I think it can be believed that at no time did the previous government make its decision on borrowing without following the best advice it could get which was within his department and that of his advisers outside. I think it can be stated, that it can be confirmed, that the financial advisers to the New Democratic Party were the same as the financial advisers to the Roblin and Weir government — it may be that we changed some of our brokers from time to time in the States, but not in Canada. It was always Wood Gundy, I would guess it still is Wood Gundy, although I don't know I haven't bothered to check but it was always a consortium of brokers. Mr. Chairman, I'm not trying to pass the blame. The Minister of Finance is responsible for all the actions of his department. But it would be stupid of anybody to suggest that we did not follow the best advice we could get which was from within our department and our brokers.

But I'm pointing out to the Minister, my calculation of about — did I say 8.5 — I think it's \$9.5 million difference in interest payments of what he has to pay to the Alberta government and what he would have to pay for Swiss borrowings providing there is no

fluctuation in the money market and as to whether or not there will be, look at the margin, look at the margin he has for any change that will take place. A margin of \$9.5 million out of \$14 million to accommodate to a change in foreign exchange as between the Canadian and Swiss funds. That's an awful lot of a cushion, Mr. Chairman, and I don't believe that financial advisers would say that it would be wrong to have borrowed in Swiss now instead of the Alberta Fund but I'm not faulting that because I agree with the policy of borrowing Canadian first.

But, Mr. Chairman, there's an awful big margin and if this Minister cannot assure us with all honesty and integrity that he balance the two, one against the other, then I would fault him. Mr. Chairman, if this Minister did not do that investigation which I know is almost current within his department, I know that in his department almost daily, but certainly weekly, they know the interest rates payable probably all over the world. If this Minister will not assure us with all honesty and integrity that he measured a 5.5 percent rate against a 14.05 percent rate and opted to pay 14.05 percent to Heritage with full knowledge of the facts, if he didn't do that, then I would certainly fault him, Mr. Chairman. But I am suggesting that's an awfully big cushion when over 10 years he could have saved on the straight basis of interest alone some \$95 million on a \$110 million loan.

MR. RANSOM: Mr. Chairman, I believe the honourable member said he didn't believe that the financial advisers would recommend that?

MR. CHERNIACK: Mr. Chairman, I don't even know what I could have said that could have put that in his mind except he may not been listening. I said that I did not believe that he would act without financial advice and I do know that the financial advisers keep constant records. I would say to the Minister that he follow their advice; I assume he did, like I did and I don't fault him for doing that. But if he did not take into account all the factors such as this tremendous cushion, if he will say he did not bother to do that, then I would fault him, very seriously fault him if he did not take that advice because, Mr. Chairman, I know the way his predecessor talked and I know that his predecessor never justified, to my mind anyway, the fact that he paid off Swiss loan with Canadian dollars when he had every opportunity to roll it over. I think that the interest rate was even more favourable at the time so sometimes people walk into something with a preconceived idea and therefore, Mr. Chairman, it could well be that the Government of Manitoba is so gung-ho on Canadian borrowing and on Alberta Heritage borrowing that they may not have gone in fully to investigate the information which I am sure was available in his department in the office next door to his. So I'm saying, if the Minister did not carefully assess that with his department, I would fault him seriously.

MR. RANSOM: I'm saying we did investigate it, Mr. Chairman. I'm saying the record will show that the Honourable Member for St. Johns said that he didn't believe that we would get that advice from financial advisers but as he termed it, that size of cushion in place.

MR. CHERNIACK: Mr. Chairman, I did not mean to say it. I don't believe I said it and the Minister should

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have enough understanding that I couldn't have said it in the context of everything else I said. What I am saying is, there is a tremendous cushion there and he should have looked at it carefully. He says he did; I have to accept his word. But I say that cushion of \$95 million over 10 years on a \$110 million loan has to be looked at very very carefully before one turns his back on it. He says he did, okay.

MR. CHAIRMAN: The Honourable Member for Brandon East.

MR. LEONARD S. EVANS: Mr. Chairman, just very briefly, I think if we haven't established anything tonight, we have established the fact that the Minister and his advisers don't have that magical crystal ball any more than we have and to suggest that we were in error some years back to borrow offshore is absolutely nonsense. I would hope that the Minister appreciates that fact now and the other members of his government. No one at the time could have imagined — well, we may have imagined but we really didn't have the ability to forecast as this Minister has no ability to forecast today — what the exchange rate of the Canadian dollar is going to be next month, six months from now, a year from now or two years, or his staff, no matter how good the staff may be, no matter how conscientious his staff may be and they've done their job well over the years. I say that if we have to admit anything in this House tonight, it should be the admission that we do not have a crystal ball with regard to the future value of foreign exchange rates. As the Member for Inkster very well put forth, if we had that knowledge, if this government of the day had that great knowledge, we should be making millions and billions of dollars and been able to do wonderful things and eliminate taxes and so on.

But there is another element that I'm not too certain about. I don't want to put words in his mouth but I gathered the Minister said that he was fairly comfortable with the \$110 million loan recently taken out from the Heritage Fund because it would be paid back in Canadian dollars and to that extent there was some additional security because you were paying back a loan in your own currency. As I said, I don't want to put words in his mouth and if I am making some misrepresentation I would like him to advise me but that's the impression I got. I also got the impression that because we were borrowing in Canada and would have to pay back over 10 years I guess it is in Canadian dollars, we didn't have to worry about the exchange rate. Now, if I'm wrong in that, I'd like to be told that but that's what I understood the Minister to say.

MR. RANSOM: Mr. Chairman, I stated the facts of the amount of the loan, the rate of the loan, the period of the loan and the fact that there was no risk involved because it would be paid back in terms of Canadian dollars. Now if he wants to look beyond to say that there was risk involved because we didn't borrow in Hong Kong dollars or we didn't borrow in Swiss francs, fine. I simply stated a series of facts with respect to that loan which was being questioned by the Member for Lac du Bonnet. I stated a series of facts with respect to the loan taken out five years ago of 100 million Swiss francs in contrast to the loan from the Alberta Heritage Fund.

MR. EVANS: Okay, so the Minister is saying there is no risk involved because we are borrowing within Canada. This is the point I want to make, you know, and he should disabuse himself of that notion because it's wrong. If his advisers have that notion, they are wrong too because there is always an opportunity cost involved. There is always an alternative and if, for whatever reason, the Canadian dollar appreciates in the years ahead and I don't know to what extent it will appreciate, it may depreciate, but if it should appreciate and there's some reasons why it might appreciate, let me give you some examples. If Canadian productivity vis-a-vis American, the United States of America, or vis-a-vis other countries improves, then we will have the basis for an improvement in the strength of the Canadian dollar. If we increase our exports of natural gas to the United States or if we increase exports of other energy resources such as coal or indeed any of our exports, lumber, wheat, and so on, there's a strong demand in the world for our wheat and the price of wheat goes up and we sell a great deal of it because let's say we've had a very bountiful harvest or for a series of years, then these pressures will cause the Canadian dollar to appreciate in value vis-a-vis the other currencies in the world.

If for some reason Canadians decided not to travel as much abroad, for whatever reason, if the Bank of Canada followed a tighter money policy, the Bank of Canada followed a higher interest rate policy than it has today — and Lord knows it's high enough, I'm not recommending this — but let's say hypothetically that it did follow a high interest rate policy, higher than it is today, this would cause an influx of additional foreign finance and it would have a buoyancy effect on the Canadian dollar. So the Canadian exchange value would increase to the extent that the Canadian dollar appreciates in the future from what it is now and of course to the extent that there are variations in inflation among different countries, the Heritage Fund loan of 110 million may be very risky, may be a very very bad deal. It will be a bad deal if the Canadian dollar goes to 85 or 90 cents or 95 American or 100 cents American. It will look very very sick; it will be a very costly loan for us because if the Canadian dollar appreciates and assuming of course we still have an ability to borrow in Switzerland, or Germany, or Japan, or wherever in the world, or New York, Chicago, wherever, the fact is that there is an opportunity cost that we will have to shoulder. There is always that opportunity cost, so the Minister cannot say that there is no risk involved.

There is always a risk involved and he should understand that and the Department of Finance of Manitoba should understand that as well. So you cannot say that because you are borrowing in Canada you are safer, not in terms of the cost at least, not in terms of the fact that if you do have a stronger Canadian dollar in a year or two, or four, or five years ahead, no one in this room has that knowledge but if it should become stronger, not only vis-a-vis the American dollar but vis-a-vis the other currencies because we're so apt to look at our relationship to the American dollar.

Incidentally, what's been happening of course is that the American dollar has been strengthening itself vis-a-vis other currencies and I would say that

without having much knowledge of what's going on currently in the foreign exchange market with regard to other currencies as they relate to the value of the Canadian dollar, I suspect that the Canadian dollar has been strengthened somewhat vis-a-vis these other foreign currencies. But the fact is, it is not beyond the realm of reason, it's not an unreasonable assumption to make that the Canadian dollar will appreciate in value, three, or four, or five years down the line. If that happens, it will be because we've improved our export position or we've improved our productivity or it may relate to the type of monetary policy followed by the Bank of Canada. But for whatever reason at that point that the Canadian dollar has appreciated in value to some extent and I can't give you any numbers or any figures, the Alberta Heritage Fund loan will tend to look very very expensive, more expensive at that point than borrowing abroad. So the Minister cannot say that he is satisfied that there is no risk involved because he has borrowed in Canada and has to pay in Canadian dollars.

The fact is that you're living in a very volatile world, the foreign exchange market can be very very volatile and that is the reality. If we are paying more interest than we need to pay, then we can say that we're shouldering an additional burden that we needn't shoulder. But I can't fault the Minister and I'm not faulting him for borrowing from Alberta at this time. That's not the point. I assume he's looked over the spectrum and his advisers and others have told him that this is the best deal we can make for Manitoba as we were told it was the best deal to borrow in Switzerland or wherever four or five years ago. So I think if nothing else, we should agree that neither side has a crystal ball but we should also understand if nothing else that there is always a cost involved and that there is always risk involved.

MR. CHAIRMAN: The Honourable Member for Winnipeg Centre.

MR. J.R. (Bud) BOYCE: Mr. Chairman, I found the debate very interesting because the Swiss loan that they were talking about, I was a new member of Cabinet when this particular item came up for discussion. I think I was sitting there with about 39 cents in my pocket. I just would like the Minister to know that if he has some success in attributing to us the losses by borrowing offshore, then he has to accept the responsibility of the same kind of losses as mentioned by the Member for Brandon East, that if the Canadian dollar appreciates, then anything that we lose by your criterion, you have to accept the responsibility of it. It's as simple as that. Nobody knew that the Canadian dollar would slip from about a dollar in the U.S. in the latter part of '76-'77 down to 84 cents, and I don't know what it is in Swiss francs or drachmas or anything else at the moment, but nevertheless if his argument is valid on Monday, it's valid on Tuesday, Wednesday, Thursday, Friday, all the rest of it. If he expects people to accept the argument, then he has to see the fallaciousness of his position as pointed out by every member on this side who has spoken, that the moneys which it has cost us by borrowing Swiss francs at that time, nobody could foretell or foresee, because no one has a crystal ball. It was the same advisers then as it is now, the advice was given and listened to and

decided upon, the same criteria that he makes his decisions. So if there is any validity in his argument at all, then he has to accept the responsibility of saying the Canadian dollar, for at least the next 10 years, is going to be in the same position relative to other world currencies. It's as simple as that, Mr. Chairman.

This borrowing of money, I never was much of an economist. In fact at university, I squeaked through Economics, because I thought it was some airy-fairy subject, and I still kind of think it is, because they talk about these Keynesian economics and I see very few politicians who ever tax people. They'll spend, but they won't tax. Basically as I understand, when things are tough, you cut taxes; when things are good, you raise taxes; but it never came about. So that when the Conservatives were saying that they were going to balance the Budget, this debt load that we had was too high — I don't agree that it was too high when taking into consideration the assets which we have to offset that indebtedness. Right at the moment, we're just talking about — there was two categories of debt, there was self-sustaining debt, that was hydro and telephones and the rest of it was off in this other general area. But even in this general area, against that indebtedness there are billions and billions of dollars of assets, so that the relationship between the debt and our assets is not that high, Mr. Chairman, but nevertheless they said they were going to cut it.

The Member for Inkster pointed out that every time you add a deficit, you're putting over to the next year at least the interest charges, without even mentioning how you're going to pay off the debt. So the Conservative government has gone against their reported fiscal policy in the election of 1977. That's one point.

Number two, just once more to repeat, that if his argument is valid for himself vis-a-vis the Canadian dollar going down, then he has to accept the loss when the Canadian dollar goes up.

MR. CHAIRMAN: The Honourable Member for St. Vital.

MR. WALDING: Mr. Chairman, before we leave this item, I wonder if I could ask the Minister a very specific question having to do with the new Alberta loan and the Swiss rate of 5.5 percent. A bit of quick arithmetic here indicates to me that the interest per year on the Alberta loan is \$15.5 million, yet on a comparable Swiss loan at 5.5 percent would be some \$6 million, a difference of 150 percent there. The specific question is: What percentage increase would there have to be in the Swiss franc in order for there to be an equivalent rate of 14 percent, on the assumption that some \$110 million were borrowed at the rate that's been suggested to us at 5.5 percent?

MR. RANSOM: Mr. Chairman, I'd just like to put it on the record. I didn't say that you could borrow Swiss francs at 5.5 percent. I don't know whether that's the information that the honourable members opposite are giving or not, but they're not my figures they're using.

MR. WALDING: Well, Mr. Chairman, I might not have been listening closely enough to the debate at

that point, but I got the clear impression that it was stated that money could be borrowed on the Swiss market at this time for 5.5 percent. Now if that is not the correct figure, perhaps the Minister would care to correct it and tell us what is the going rate in Switzerland. I'm sure that his department will have it fairly handy, if not exactly in their hands at this moment. But the question remains and it's quite a specific one. What would the Swiss franc have to go up in order to show an effective rate, an equivalent rate of 14 percent?

Mr. Chairman, if the Minister doesn't have the information right with him, and I understand it might need a bit of calculation, I would be happy to receive the information at a later time.

MR. RANSOM: The rate would be in the range of 6.5 to 7 percent. The question that he asks, while I would say on the surface is a legitimate enough question, one would have to know what circumstances would surround the shifting of the exchange rates. Presumably there could be many different circumstances that could affect it, some that might be of a stabilizing nature and some that might be of a destabilizing nature, so I think it's such a hypothetical question that it's not possible to answer it in the terms that it's been phrased.

MR. WALDING: Mr. Chairman, I'm sure it's not a hypothetical question at all. In fact, I can recall from previous meetings of the Public ^{Committee} that the matter of foreign borrowing was raised in many years' meetings of that committee, and it was always pointed out to the committee by the Deputy Minister of Finance, who always attends the meeting and other officials of the department, that there can be an effective interest rate calculated on any particular loan at any particular point in time, given the exchange rate between the two currencies and given the rate at which that money was borrowed in the first place. What I am asking the Minister — if it should happen that the Minister could borrow money today in Switzerland at 6.5 percent is the figure that he gives us, by what percentage would the Swiss franc have to appreciate in order for that effective rate of interest to be 14 percent? Now I know that the department can work it out. It may take a little bit of doing. If the Minister wants to give me the information tomorrow or the day after, that's fine, Mr. Chairman. I'd just like the Minister's word that he would have his department do that and give me the information.

MR. RANSOM: Yes, Mr. Chairman, we can work that out, which will give a snapshot of what happens at a particular point in time. We can provide that.

MR. CHAIRMAN: I'm not working on any resolutions. Are we now ready to move to Clause 8, which is Hydro Rates Stabilization? That's the item under discussion then, and I can't pass the item, because there's no resolution. Are we finished with Item 8?

The Honourable Member for St. Vital.

MR. WALDING: Mr. Chairman, if the item before the Committee at this moment is Item 8, Hydro Rates Stabilization, then I would like to say just a few words on the topic.

We note, Mr. Chairman, that the amount is listed at some \$35 million this year, and we have to go back a couple of years and just review what happened and why it happened, and the effects that move are now having, both financially and on Hydro's position.

You will recall, Mr. Chairman, that it was about two years ago that this government came in with a tremendous fanfare and said that it was going to freeze Hydro rates for five years, and that there would be no increase in the domestic rate. This did not include general users or contract users of Hydro.

It so happened that shortly after that there was another meeting of the Public Utilities Committee, at which time the members of the Opposition addressed a few questions to the Board of Hydro, including their Director of Finance, as to Hydro's predictions over the coming five years. They provided for us at that time, their financial forecast of revenues and expenditures, amounts to be transferred to reserve funds, etc. One of the statements made by the Minister reporting for Hydro, who happened to be the Minister of Finance at the time and so was doubly qualified to give this sort of information, was that Hydro's reserves had fallen to a rather dangerous low, and I forget the figure given. It was somewhere around \$15 million or \$20 million, I believe.

One of the stated intentions of the government at that time was to raise Manitoba Hydro's reserves to something in the range of \$120 million, and that was given as one of the chief reasons for relieving Hydro of its foreign exchange costs. What Hydro told us, just about at the same time, Mr. Chairman, was that they didn't intend to increase the rates that year, that they intended to increase them a little bit the next year, and decrease them the year after that, which would cancel out the increase. Going from memory, I think the last two years of that five-year period, again they intended to raise them by a small amount and then decrease them. The net effect for the five years as to Hydro's intentions, was that at the end of the five-year period, there would be no net increase in rates over the beginning. That was without any Hydro rate stabilization, without any freeze in the rates, without having the government assume these foreign exchange costs at all.

I think that was the chief reason, Mr. Chairman, that the government's policy, as stated at that stage, rather fell flat. People tended, I believe, not to believe what the government was telling them. It's rather odd too, that for some eight years the Conservatives have been telling people that there was too much Hydro building in this province, that things were being done in the wrong order, and that if only they had been spread out and something built after something else, instead of two things being done at the same time, that this would be more efficient and that there would be money saved.

It so happened that the reason that Manitoba Hydro, as of a couple of years ago, was able to forecast five years during which time there would be no increase in rate, was simply because these generating stations, Lake Winnipeg regulation and the Churchill River Diversion, were in place, were producing power which Hydro was able to sell, and it did not need to borrow the same sorts of sums of money to continue its building. That was the reason

that Hydro did not intend to raise its rates for five years and that's why the stated policy of the Government of the Day had such a hollow ring to it, and was frankly, Mr. Chairman, misleading.

What has happened in the last two years is that Manitoba Hydro has made in the region of \$45 million to \$50 million in profit — sorry, excess of income over revenue, I think, is the proper term for it. Manitoba Hydro's reserves are now up to somewhere in the region of \$120 million to \$130 million, a figure that the Minister of the Day said would take five years to achieve.

Mr. Chairman, since we have achieved that figure, is it necessary for Manitoba Hydro to continue next year to increase those reserves or to increase them again in the fifth year of the program? Or does it not make sense at this time for Manitoba Hydro to go back to the Public Utilities Board if that is necessary, or to go to this government and say, our reserves are now in a comfortable position, we have reached that figure that you said that we should be at; there is now no reason why we cannot reduce our hydro rates.

I'm suggesting to the Minister and to the members of the committee, Mr. Chairman, that it is precisely this rate freeze of the government that is preventing Hydro from reducing its rates. I ask members opposite to ponder that and to consider whether in the present circumstances of oil and gas going up at such a steep rate that it would not make good economic sense and encourage the transference of home heating fuels to hydro, if it were possible for Hydro to reduce its rates by means of a relaxation or a removal of the five-year freeze on hydro rates.

Let us look also at the effect that removing those costs have had on cost to Manitobans. It was Hydro's intention always, and I believe it was statutory too, Mr. Chairman, that Manitoba Hydro was to pay back its borrowings from its revenues from sales of hydro power, whether that was from sales to Manitobans, sales to Saskatchewan, sales to Americans or sales in Ontario. That was Manitoba Hydro's intent and its policy and it was in fact carrying that out. What happened a couple of years ago when the present government brought in its hydro rates stabilization is that it removed some of those payments from Hydro's customers generally and transferred them all to Manitobans. We're looking at \$35 million, almost \$36 million this year, which will have to be paid by Manitobans. Yet the users of Manitoba Hydro power live in Manitoba, they live in Saskatchewan, they live in Ontario, they live in Minnesota and they are generally spread out over a wider area than this province.

So what I am saying is that instead of the user-pay principle, which was inherent in Manitoba's Hydro's former pricing policy and so dear to the hearts of members opposite, we have now gone to a Manitoban-pay policy.

This \$35 million, Mr. Chairman, is to come out of your or my income taxes, out of sales tax and all of the other taxes. Had the arrangement been as it was before, some of this money would be paid by people in Saskatchewan; it would be paid perhaps by Alcan; it would be paid by Inco and it would be paid, if this interconnection goes through, by power users in Saskatchewan and in Alberta.

I'm not sure whether this Minister has any information to give us concerning the renegotiation

of the Hydro contract with Inco at Thompson. I'm told, Mr. Chairman, that the previous contract for some 20-odd years runs out in a few days, in about a week's time, at the end of this month as a matter of fact, and that there have been ongoing negotiations between Inco and the province. I would be very interested to know how those negotiations are going and whether it is the policy of this government to give a special deal to Inco that it does not give to other users of hydro through Hydro's general rate. We have still not been told whether it's this government's policy to give a special rate or give an undertaking for a special rate of assured power for something like 50-55 years that Alcan is asking for.

We'd be rather interested to know as well, Mr. Chairman, and this is another one of those questions that have not been answered from that side, as to whether the government is in fact prepared to give a special rate to Alcan or to give an undertaking of a special rate and a special guaranteed rate of something like 350 megawatts for 55 years? If it is so, Mr. Chairman, it must be pointed out that such a rate and for such a time would be subsidized by the remainder of Hydro's customers — those Manitobans who are buying power and those Manitobans who are paying taxes to pay off this hydro rate stabilization.

Mr. Chairman, those were a few comments that I wanted to make at this time and to put on the record having to do with this area, stating to the Minister that the policy in the first place was a sham; it was not necessary; Hydro did not intend to put its rates up over the five-year period anyway. What the government is doing is to put onto the shoulders of Manitoba taxpayers costs which should be spread out over the larger area of people who are Manitoba Hydro's customers, not just in Manitoba but outside of our borders as well.

MR. CHAIRMAN: I would ask the honourable members to turn to Page 58 of the Main Estimates. Resolution No. 61, Item is (1) General Administration, Item (a) Minister's Salary — pass.

Resolution 61 — pass: Resolved that there be granted to Her Majesty a sum not exceeding \$985,500 for Finance, General Administration, \$985,500 — pass.

Thank you, gentlemen, that completes the Estimates, Department of Finance.

Committee rise.