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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, 24 February, 1983.

Time — 8:00 p.m.

OPENING PRAYER by Mr. Speaker.

MR. SPEAKER, Hon. J. Walding: The Honourable Minister of Finance.

HON. V. SCHROEDER: Thank you, Mr. Speaker. I move, seconded by the Minister of Energy, that this House approve in general the budgetary policy of the Government.

MOTION presented.

BUDGET ADDRESS

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: Mr. Speaker, unemployment is the No. 1 problem in Canada and it is the No. 1 problem in Manitoba. Creating jobs and saving jobs are the top priorities of our New Democratic Government, and they are the most important objectives of this Budget. More than 1.5 million Canadians are out of work; over 50,000 of them are Manitobans, and those are just the official statistics.

The worst recession in a half century cost this country between $35 billion and $40 billion in lost output last year. That means an average loss of about $1,500 for every Canadian or $6,000 for a family of four.

Here in Manitoba, it is estimated that because the impact of the recession was not as severe and our inflation performance was better, the loss was not as large - in the range of $1 billion - $1,000 per person or $4,000 per family. The amounts are huge and must be a concern for every citizen because of what they mean for our living standards today and for our future. These are not temporary losses. They are permanent and cannot be recovered.

Much the same is true of the half-million jobs which have disappeared across Canada. The structure of the economy is changing and many of those jobs may never be filled again. Unemployment is a national problem. There are severe and obvious limits on what one province can do on its own to combat it, but action at the provincial level will make a difference, and our Government is determined to do all that we can.

This is the first Budget for 1983 to be introduced by any senior government in Canada.

The Budgets, which follow Manitoba's, may differ in specific approaches, but it is to be hoped that all will have a similar, general thrust, with jobs as their primary target. The challenge is nation-wide and success in meeting it requires a co-ordinated, nation-wide attack, under federal leadership. However, governments cannot do the job alone. All sectors of the economy must share responsibility for meeting the challenge.

In many ways, what is not in the Budget - what happens outside the government sector - is at least as important as what is in the Budget I am presenting tonight.

Since the Budget date was announced, my colleagues and I have met almost daily with groups and individuals across the province to review their concerns and to seek their advice on Budget options. Those consultations have ensured, I believe, that there is a greater awareness and understanding of the realities and constraints facing our Government. In turn, we were encouraged by the widespread recognition - in fact, I think it would be fair to say by the general consensus - that expanding job opportunities and securing existing jobs must be our most urgent budgetary priorities.

Mr. Speaker, I want to briefly speak about the changes in the Budget presentation this year. February 24th is the earliest date on which a full Budget has been introduced in Manitoba since 1967. The combined presentation of Expenditure and Revenue Estimates means that our Budget plan can be reviewed in its entirety now, in a way which should lead to a clearer understanding of our proposals and the reasons for them.

Several other provinces have used a combined presentation for many years, and we welcome the support of the members opposite for its introduction here. When a combined presentation was last introduced in Manitoba, about 20 years ago by the Roblin Government, it was described as an experiment. That is our view as well. There may be circumstances in future years which would make a return to the former system appropriate. One example could be a delay in negotiations concerning federal transfer payments. That was a major factor in our Budget timing last year.

Finally, the Estimates contain a better and more easily-understood presentation of capital and its significance in our overall financial position.

Our Budget last year required a number of hard choices and hard decisions. The choices and decisions this year have been even more difficult. Some administrations might have turned their backs on those choices and claimed an inability to act. But in November of 1981, the people of Manitoba made it clear that they want a government which is not afraid to admit to the problems which are threatening our province and which is not afraid to confront them directly, in a responsible and creative way, with every resource we can marshall.

This Budget reflects our commitment to that mandate and our determination to fulfill it prudently, fairly, and in the best interests of all Manitobans.

One of the most important results of last fall's Economic Summit was the strong and unanimous confidence expressed by representatives of all sectors of the economy in the future of our province and in the development opportunities which Manitoba offers. This Budget is based on that same confidence.

Still, no one in this House, and no one across the province, should be under any illusions about the severe pressures we and every other province must face in the months ahead. If national recovery forecasts are not borne out, our budgetary situation inevitably will become more constrained and our latitude for action even more limited.

Within the next several weeks, the Federal Minister of Finance will present his Budget for the 1983-84 fiscal year. In it he must review a litany of negative statistics with which Canadians are all too familiar. We have recognized and have acknowledged that there is no single cause on which the current recession can be blamed entirely, just as there is no simple solution.

At the same time, there is little doubt that much of the problem can be traced directly to the high interest rate policy of the Government of the United States and the failure of the government of this country to adopt monetary policies which were more appropriate to the Canadian situation.

In January the unemployment crisis was the subject of a well-reasoned and forceful public statement by the Canadian Conference of Catholic Bishops. They emphasize that:

"Massive unemployment which deprives people of the dignity of human work and inadequate family income constitutes a social evil;

"It is also a major economic problem since high unemployment rates are accompanied by lower productivity, lower consumption of products, reduced public revenues and increasing social welfare costs;

"Alternative strategies are required which place primary emphasis on the goals of combatting unemployment by stimulating production and permanent job creation in basic industries, developing a more balanced and equitable program for curbing inflation and maintaining health care, social security, and special assistance programs."

At the last Finance Ministers' Conference in December, I tabled a position statement which recalled that the Federal Government's 1945 White Paper on Employment and Income committed the Government of Canada to maintaining a "high and stable level of employment and income, as a primary object of policy."

As our statement noted then, the goal of the Federal Government was reconstruction and the achievement of full employment. Today, it should be no less.

We are extremely hopeful that the Federal Budget will at last give concrete evidence of the Federal Government's readiness to take the lead in a national campaign to reduce unemployment across the country.

In December, we proposed the establishment of a large-scale federal-provincial capital investment fund as a key part of that campaign, and we have made specific suggestions - which I will outline later - concerning the kinds of projects we believe warrant consideration for federal cost-sharing in Manitoba, priority infrastructure developments with a substantial job creation impact.

Recently, when we submitted our proposals to the Federal Government, we emphasized our concern about statistics showing a significant decline in the share of federal investment coming to Manitoba in recent years, as well as an absolute decline in 1982, at the same time as it increased substantially elsewhere, and I might add, at the same time as we kept hearing references to the $4 billion Western Economic Development Fund. The people of Manitoba have every right to expect this situation to be corrected as soon as possible.

Despite problems in a number of sectors, the impact of the recession on Manitoba was among the least severe of any province in Canada last year. The latest Conference Board estimates suggest that, along with Saskatchewan, we experienced the second-lowest decline in real output among the provinces in 1982. There are several reasons: a relatively good year for agricultural output; the balanced nature of our economy, including a substantial service sector; and the supportive economic and fiscal policies we introduced last year - all contributed to preventing a further downturn.

But, incomes were down significantly for farmers and we recognize that the effects of the recession have been extremely damaging for the rest of the goods-producing sector - particularly mining and manufacturing - and have been felt throughout the entire economy.

After several years of weak performance, when Manitoba was at or near the bottom among the provinces in terms of growth, investment, employment creation, population, this is a doubly serious concern, and it explains our determination to do all we can to prevent a further deterioration in our position.

A detailed summary of recent developments in our province is included in the Economic Review which accompanies this Budget. The review makes no attempt to gloss over our problems, but it also notes that there were some reasonably favourable statistics for Manitoba last year as well:

An increase of about 10,000 in our population, reflecting the relatively better employment situation here;

The lowest rate of inflation - notwithstanding the speeches of the Member for Sturgeon Creek about the impact of our taxation levels last year - the very lowest rate of consumer price increases; and,

Along with Alberta, the smallest loss of jobs; only one province - Saskatchewan - had a marginal increase;

And finally, despite a dramatic increase, an unemployment rate which remained well below the national average and which last month, with Alberta's, was the secondest lowest in the country.

Mr. Speaker, it is clear that we must continue our efforts to sustain and secure our economy and to help those who have been hurt worst by the recession and, at the same time, we must also continue to plan for the longer term to ensure that we start making the adjustments now which are necessary to respond to the structural changes taking place throughout the national economy. That process is under way on a joint basis with business and labour as a follow-up to the Economic Summit.

In our Budget last year, we stressed the importance of making certain Manitoba is in a position to take early advantage of a national recovery when it comes, but if the recession continues, it will become all the more difficult to maintain a satisfactory recovery posture and to avoid losing further ground.

In its latest forecast, the Conference Board has predicted that Manitoba's economy will grow at close to the national average in 1983. However, it is also projecting a further decline in employment, about the same as the national average, and another substantial increase in our unemployment rate; though we would have, the Board suggests, the second or third lowest rate among the provinces. But there is little consolation in having the second or third lowest rate when that rate is projected to be above 10 percent.

The human costs and the costs to the economy are unacceptable. Jobs mean income and income means demand for the goods and services we produce. Jobs mean output at a time when we have a great deal of idle and under-utilized capacity. Jobs mean confidence for young people struggling to find work for the first time; for experienced workers, many of them heads of families whose livelihoods have been lost or are in danger; and jobs also mean a productive alternative, a positive alternative, to Unemployment Insurance or social allowances. That is why it is imperative that we direct every available resource to creating and protecting as many jobs as we can.

Mr. Speaker, our Budget last May emphasized our concern about our revenue position. It had been weakened by cutbacks in federal transfer payments and by a sluggish economy, and was threatened further by the national recession. The extent to which the recession has undercut our expected revenue growth for the current year became evident in the Second Quarter Financial Statement, which was tabled in December.

Tonight I will table further revised forecasts with the Third Quarter Statement.

The latest revisions for 1982-83 indicate that we have lost a further $16 million in revenues beyond what we had predicted in December. At the same time, we have managed to reduce expenditures by $19 million, partly reflecting the expenditure containment measures which we announced in December, including restrictions on hiring, travel, and other controllable costs. These measures will remain in effect in the new fiscal year.

The result is a marginal improvement in the deficit estimate for the current year of about $3 million, from $498.4 million to $495.5 million in the Third Quarter, about $152 million above the original estimate of $343.5 million. That still leaves us with the smallest "bottom line" change in Western Canada and our position continues to compare favourably with most provinces across this country.

Revenue reductions now account for more than three-quarters of the increase in the deficit since the Budget. Expenditures are projected to be up by just over 1 percent above the original Estimates and that compares to more than 2 percent last year, for example.

The overall increase in the expenditure forecast since the Budget is due almost entirely to the upward revision in the estimate of public debt costs - $31 million out of $33 million due to increased public debt costs, $2 million due to departmental programming. Compare that to the Tory years, the last several years. Costs attributable in part to the deficit in the 1981-82 fiscal year were certainly a large part of the contributor to the increases in the debt costs. That means our total estimated spending for general programming is now almost exactly the same as the Budget estimate. In fact, several departments are now below initial estimates.

I should note - and that is including, Mr. Speaker, the health and education levy which came later on and they were required to absorb that within the departments and they did so - that the third quarter forecast takes into account expenditures for which we required a General Special Warrant earlier this month. Members opposite are aware of what Special Warrants are. In their last year in office there was a Special Warrant of $105 million of which more than $100 million was as a result of their increases, their increased authorizations, after the Legislature went home.

This year is the lowest in four years. We do not expect any significant change in the year-end forecasts between now and March 31. However, as always, there is some uncertainty surrounding federal payment adjustments which fall due next month.

Mr. Speaker, during the consultative process which led up to tonight's Budget, my colleagues and I spoke out about realities facing the Government and the province for the coming fiscal year.

One of the main realities continues to be the negative impact of the recession on revenue growth. Our initial estimates for 1983-84 indicated that, without taxation adjustments, revenues would only grow by about 5 or 6 percent above last year's Budget Estimates, even with the full-year effect of the 1982 tax measures taken into account.

But the recession is not the only reality affecting our revenue position. Forecasts presented in last year's Budget showed that the cutbacks in federal transfer payments introduced in 1982-83 would have a much larger impact in the second year and that the impact would increase even more in the years which follow. We calculated that the net cutback in 1983-84 would be about $100 million, primarily because of changes in the equalization formula.

The revenue estimates I will table later show that, in the coming year, federal transfer payments will only account for about 35.5 percent of our revenues, which is a major drop-off from the peak of nearly 43 percent five years ago.

Those continuing cutbacks are not our only concerns about the fiscal arrangements. There have been suggestions that the federal Minister of Finance may be considering further reductions in block funding for health and post-secondary education.

In addition, recent equalization estimate revisions show that the basic formula, without the special transitional payments we negotiated for Manitoba, is yielding far less than projected a year ago. Current estimates indicate that transitional payments will account for more than 25 percent of our gross equalization entitlement in 1983-84, so we are talking about $100 million there. Obviously, the transitional arrangements have worked to Manitoba's advantage. We are confident that the same renewed spirit of federal-provincial co-operation which made them possible will result in an early extension and improvement of these arrangements to prevent our province from facing a serious payment drop when the current federal legislation expires two years from now.

One other point should be made about the revenue side. Because our Budget is being presented so much earlier this year, our revenue estimates are based on more preliminary information and on federal forecasts which could well change after Mr. Lalonde's Budget. In other words, the estimates are the latest available, but they are obviously less firm than they would be if we waited until April or May to bring in the Budget.

Mr. Speaker, there are also realities on the expenditure side which have affected our Budget planning in a major way.

The first is our commitment to do as much as we can to create and protect jobs in Manitoba. Additional financial resources must be dedicated to this priority.

The second is our commitment to maintain and improve our existing public services. These services -

health care, education, income support for the elderly, and others - are every bit as important to our social and economic well-being as any other service or industry in the province. The majority of Manitobans recognize that fact and made it very clear in 1981.

A third reality is the cost of our statutory obligations; primarily, public debt. There we have no flexibility whatsoever. The costs simply must be met, and they have increased rapidly.

A fourth reality is the high proportion of our expenditure total, about 60 percent, which represents grants and transfers to hospitals, school divisions, municipalities, other outside agencies, and individuals. There is little real flexibility there, and relatively little in other major categories such as direct wages and salaries, though the renegotiated MGEA agreement proves that there is some room.

A fifth reality is the impact of the recession and unemployment on certain categories of expenditures, such as social assistance and the training programs needed to respond to these problems.

In recognition of these realities, we established strict guidelines for preparing this year's Expenditure Estimates and have followed them as closely as possible. We have made a major effort to repriorize expenditures to get the most out of our limited resources, particularly in the area of job creation.

Some have questioned the rationale for curtailing employent in the public service in favour of increasing it through other programs. The explanation is straightforward. For 1983-84, we have reduced the number of positions in Government departments, the number of "staff years," by almost 500 net from last year's total.

We are trying to ensure the maximum job creation activity and investment for every dollar of provincial funds expended. To the extent we can encourage additional expenditures, such as by securing matching contributions from other sources, including the Federal Government, we can increase the effect of our investment.

Of course, in line with the agreement with the MGEA, we have undertaken not to lay off permanent staff. However, it is clearly understood that there may be some redeployment and some reallocation of responsibilities, and it is also understood that the size of the Civil Service will continue to be contained through attrition and stringent limits on new hiring.— (Interjection)— Yes, Mr. Scotton was one of those individuals who helped us to renegotiate a contract the Tories could never have done.

Tonight, I am announcing a special initiative to encourage early retirements for eligible public servants to give us greater reassignment flexibility within the limited position totals now available and to be fairer to younger employees. For a three-month period starting March 1st, eligible civil servants will be able to take advantage of a special set of early retirement pension benefits.

Mr. Speaker, these measures reflect and will require ongoing managerial discipline within the public service. Since we already have the third smallest Civil Service in relative terms of any province in Canada and since we have the third lowest level of per capita expenditures, both according to a recent Financial Times survey, it is clear that proposals for large-scale cutbacks are unrealistic and irresponsible.

Now, Mr. Speaker, we have had a very favourable balance of trade with Saskatchewan.— (Interjection)— You should see some of the turkeys that went down there.

Such cuts would be possible, but they would do irreparable harm to our most important services. They would damage our economy, and they would lead to far greater costs in the future as Manitobans attempted to rebuild them.

Mr. Speaker, another important reality is, of course, the size of our deficit, particularly the deficit for operating expenditures. As I said before, this is a reality facing the Federal Government and virtually all provinces as the recession undercuts revenue growth.

This is the only province, Mr. Speaker, where civil servants have voluntarily agreed to reduce wage costs. Those at high income levels and those in elected office —(Interjection)— you might listen to this, it's going to affect you - those in elected office should do no less.

Mr. Speaker, my colleagues and I have decided that members of the Executive Council will not receive an increase in our total incomes from government service in the coming year. Any increases in our indemnities as Members of the Legislature will be balanced by an offsetting reduction in Ministers' salaries, so that the net effect will be a "zero increase" for Members of the Cabinet.

At the moment, the formula for calculating indemnities for all Members of the Legislature seems likely to produce a substantial percentage increase for the year - a result, we believe, most Manitobans will feel inappropriate in the current circumstances. We will initiate discussions with Members of the Opposition to determine if there is an agreement on more appropriate indemnity levels for Members of the Legislature.

For the senior staff in the public service, who are excluded from the MGEA, we will limit salary increases next year to 2 percent at the $50,000 income level and less than that above that level. We believe it is only fair and will expect that senior management of Crown Corporations, hospitals, educational institutions and other publicly-funded organizations will have their compensation placed under similar limits.

Mr. Speaker, earlier I indicated that the Expenditure Estimates format has been improved for 1983-84. Now the operating and capital expenditures of each department not only are shown separately, as they have been in recent years, but they are actually added up in the Estimates Book - a simple change, but one which emphasizes the importance capital spending has in our overall expenditure program. Also, without altering the definition of capital, we have found a number of additional expenditure items of a capital nature which formerly were not included in the totals.— (Interjection)— This has been rectified, I'm sure you'll be happy to know. The changes, such as the including of capital grants to the City of Winnipeg and acquisition and construction costs under the ARC or Red River Corridor Agreement, were made in consultation with, and with the agreement of the Provincial Auditor. Details of program improvements will be provided by the Ministers responsible in Committee of Supply.— (Interjection)— Well, you people aren't listening anyway.

Earlier I indicated that public debt costs had increased rapidly for '83-84 and they are estimated now at $282 million, which is up $155 million, or 120 percent from the $127 million total projected originally for last year. The increase over the revised estimate for the current year is $124 million or 78 percent.

This year, public debt charges will account for nearly 9 percent of total expenditures compared to under 5 percent for last year's Estimates. The reason for the increase is simple enough - it is the result of both larger deficits and exchange rate costs related to foreign debt issues maturing next year. These costs have accumulated over the periods of the issues but fall due at maturity. Roughly one-fifth of the estimated debt costs for next year can be attributed to the 1982-83 deficit.

With the substantial increase in statutory public debts and with the low rate of revenue growth I described earlier, the increase we propose in general departmental and other expenditures, excluding statutory items and job creation costs, about 9.5 percent over the latest revised estimate for 1982-83 and also about 9.8 percent over the original Estimates, would have left us with a potential deficit of over $600 million and no additional funds to assist in creating and protecting jobs.

As a result, it is necessary to introduce a number of taxation adjustments. The added revenues from these measures will help hold down our deficit, maintain vital services and, most important, play a key part in the attack on unemployment. I should indicate, however, that I am not able to announce two kinds of adjustments we would have preferred.

We are obliged under our tax collection agreement with Ottawa to obtain their concurrence in any changes affecting provincial income taxation. Recently, we indicated our possible interest in proceeding with a minimal tax applied against total income, or with a tax-based incomes program which would have involved a levy on income increases beyond a specified dollar amount. The Federal Government advised us that it was not able to administer these measures for us for the coming year.

Ottawa's decision was unfortunate, and that indicates the Liberals and Conservatives are usually on the same side, because both alternatives would have meant significant improvements in the equity of the income tax system.

In the last several years, the national tax structure has become more and more complex, and more and more unfair. High income-earners now enjoy more advantages and pay lower taxes than at any time in recent years and the OECD says that Canada's wealth taxes are the lowest of any member country - a fact that Canadian Governments have not publicized very well.

At the same time, large corporations enjoy countless incentives, concessions which, by and large, have not had the positive economic impact predicted for them. I refer you to the decrease in the federal sales tax in the '70s, the decrease in the corporate income tax from 49 to 40 percent, a host of other incentives, the MURB's, investment tax credits that started at 5 percent, then went up to 7.5, 10 and 20, and what did it do? Before we had all those incentives in the '60s, we were doing better than we did with them in the '70s. The impression continues to be conveyed that those with large incomes are being overtaxed in Canada. The Carter Royal Commission on Taxation was established over 20 years ago, and there hasn't been a systematic review of national taxation since. We believe it is time for another such study and that the provinces should be involved.

At the same time, as I mentioned in last year's Budget, we intend to continue our review of tax expenditures, that is the hidden expenditures implicit in the various exemptions and deductions which are built into our tax system. We will also examine the implications of various options for improving the administration of our income and other taxes.

Mr. Speaker, the result of the federal decision was to narrow our options generally to the revenue sources which are now in place.

The following is a summary of the taxation measures we have decided upon. More information is included in the Appendix to my Address. Effective April 1st the rates of tax on gasoline and diesel fuel will be set at 7.5 and 8.6 cents per litre respectively. Current rates are 6.4 cents on gasoline and 7.3 cents on diesel fuel. These changes will produce about $19.6 million in the next fiscal year.

Starting March 21st, the tobacco tax will be increased by .3 cents per cigarette to 2.1 cents and the rates for fine-cut tobacco will be adjusted as well. Added revenue will be $6.9 million.

Liquor Commission markups will also be adjusted - though not on beer - to increase revenue by $5 million. The additional revenue from these measures, about $31.5 million, will be applied toward reducing our deficit for the coming year.

We believe, and we think the majority of Manitobans will agree that those who are fortunate enough to have reasonable levels of income will be willing to make some sacrifice to help those who have not, and to assist in protecting and developing our economy. Manitobans have always done so in difficult times in the past. That is what makes our province such a strong community and an example for the rest of Canada of how the principle of shared responsibility can and will work. This responsibility must be shared fairly, both among individuals and among economic sectors, and we must continue to have a tax structure which is competitive.

Last year, we introduced a new levy on employers, the 1.5 percent levy for health and post-secondary education, and a surtax under The Income Tax Act on higher-income earners. Both sources of revenue permitted us to avoid a sales tax increase and their continuation will permit us to minimize increases this year and to keep our overall tax and cost structure fair and reasonably in line with those of other provinces.

It was these principles which guided us in deciding on the adjustments I announced earlier and those I will now propose to help support our efforts to create and save jobs in Manitoba.

Effective January 1, 1983, the income tax rate for large corporations will be increased to 16 percent from 15 percent. This change will bring our large business rate into line with British Columbia's.

In addition, legislation will be introduced to limit the benefits of Manitoba's small business rate to active business income. This parallels legislation now in effect in all other provinces with corporation income tax collection agreements with the Federal Government.

There will be no change in the small business rate which our Government reduced last year to 10 percent.

Corporation income tax changes will produce an additional $7.2 million in 1983-84.

In last year's Budget, a special 2 percent corporation capital tax was applied on banks for a one-year period. That tax will be extended for another year and will increase revenues by about $3.2 million.

Effective midnight, March 6th, the general sales tax rate will be increased by 1 percentage point, from 5 to 6 percent. This change will leave us, along with British Columbia, with the second lowest rate among the nine provinces with sales taxes. Ontario's present rate is 7 percent; Quebec's is 9 percent; and further east the rates range up to 12 percent in Newfoundland.

The change in the rate will have no direct effect on the costs of the basic necessities, food, children's clothing, housing, farm machinery and equipment and other items which are not subject to tax. These exemptions play an important part in making the tax more fair in its application, and the tax credit programs introduced by the New Democratic Government in the 1970s, particularly the Cost of Living Tax Credit, help provide some offsetting assistance as well.

The same 1 percent increase will be reflected in The Revenue Act, 1964, Part 1. Of course, home heating will continue to be exempt from this tax.

These changes will provide a significant and broadly-based source of funds for job creation, some $64 million in 1983-84.

In total, the large corporation income tax and retail sales tax changes, along with the extension of the special tax on banks, will produce about $74 million next year.

This amount will be dedicated to helping finance the most important initiative in this Budget, a new Jobs Fund for Manitoba.

Mr. Speaker, creation of the Jobs Fund will require special legislation which will be introduced at the earliest opportunity. That legislation will provide the flexibility necessary to design and finance a wide range of job creation efforts over an extended period, both on our own and in co-operation with the Federal Government, the municipalities, and the private sector.

A major purpose of the Jobs Fund will be to improve the effectiveness and co-ordination of the entire range of job creation measures we have introduced in the last year. All these programs will be assessed within the Jobs Fund criteria.

We have already consulted with representatives of key labour and business organizations and they have indicated a strong interest in having an input in programming decisions.

Mr. Speaker, I am proud to announce that this Budget dedicates $200 million to the Jobs Fund.

Financing for the Jobs Fund includes:

$72.2 million in budgetary authority, made possible by the tax measures I just outlined;

$83 million in new non-budgetary capital authority included in the Capital Supply Bill I will table later; and

$34.8 million in capital authority carried forward from the current year.

Also, I am announcing that $10 million in additional budgetary authority for wages and salaries freed up by the new agreement with the MGEA will be added to the Jobs Fund.

The total again, $200 million, roughly double the amounts allocated for job creation efforts in 1982-83.

Mr. Speaker, we hope these amounts are just the beginning. For example, we see the Jobs Fund as the source of financing for our share of major federal-provincial capital investment initiatives in Manitoba. The Jobs Fund symbolizes our province's commitment to a nationwide attack on unemployment.

This evening I will be sending a telex to the Honourable Marc Lalonde advising him of the creation of the Jobs Fund. I will also emphasize our continuing readiness to co-operate with the Federal Government in developing, financing and implementing a wide range of measures to protect existing jobs and to create as many new jobs as possible in Manitoba. I will be reminding him too, of the positive budgetary effects of such measures for the Federal Government, higher tax revenues, along with reduced Unemployment Insurance and Canada Assistance Plan payments.

Earlier, I referred to a set of project proposals which have already been submitted to Ottawa. They involve key infrastructure developments which would have a lasting value to the Manitoba economy. They include:

Industrial development projects, such as a National Research Council Institute for Manufacturing Science and Production Technology.

Transportation projects, involving upgrading of the Hudson Bay Rail line from The Pas to Churchill, a railway rolling stock manufacturing facility, a boxcar rehabilitation program, and a trolley bus technology demonstration project.

Foresty projects, including expansion and modernization of the Manfor plant.

Housing projects, specifically a rental housing renovation and conversion program.

Hydro projects, such as the extension of power lines to the Port of Churchill.

Special facility construction and maintenance, including a new Winnipeg Remand Centre, a new Materials Testing and Research Lab, and several major improvements for Winnipeg's firefighting capability.

Road and highway projects, such as "twinning" Highway 75 to the U.S. border.

Water management and flood prevention projects.

Business projects, including acceleration of Main Street Manitoba and expansion of the Hecla Island resort hotel, Gull Harbour Lodge.

Cultural and arts projects, such as a new facility for the Royal Winnipeg Ballet, a Heritage Buildings Fund, a new Brandon University Music building, and expansion and acceleration of work on the University of Winnipeg's Athletic Centre.

Public infrastructure projects, ranging from a new building at the University of Manitoba for Administrative Studies, along with several technical education facilities, to Red River pollution control, sewer and water system improvements, and a number of new or upgraded health care centres.

Both business and labour representatives have expressed the view - and we agree - that it is most important to select projects that meet a dual purpose:

Jobs today;

Plus other long-term benefits to the Manitoba economy, such as helping encourage new industries to develop, upgrading existing industries and making them more competitive, and improving the quality of the workplace.

During our recent pre-Budget consultations, some interesting ideas were put forward by business and labour and we presented some tentative suggestions as well. I also indicated my readiness to consider possible incentives to encourage the development of "high-tech" manufacturing industry here in Manitoba. We will continue to discuss these and other options with a view to developing a balanced set of programs which will help all regions of the Province.

Of course, much as we would like to achieve it, the $200 million in the Jobs Fund cannot and will not be expected to create a full employment situation in our province. Our unemployment rate will remain high, unacceptably high, until there is a major recovery nation-wide, but the Jobs Fund will make a difference and our aim is to make certain every dollar has the largest possible impact.

At this stage, we expect to allocate a portion of the Jobs Fund to complete programs such as accelerated capital works, and the Manitoba Employment Action Program, and to ongoing activity such as our participation in the "NEED" program.

However, initially, most of the Jobs Fund authority will be allocated in the manner that gives us the flexibility to consider the broadest possible range of options.

The legislation to establish the Jobs Fund will give us further flexibility to reallocate authority within it. This will mean even greater latitude to maximize the impact of Jobs Fund investments.

For many individuals in our province and in our country, the recession has been a crisis, the worst in more than forty years. The Jobs Fund is our response to that crisis. It demonstrates that this goverment is listening, responding, and working with Manitobans to build a better future.

Mr. Speaker, earlier I explained that, for 1983-84, the rate of increase in expenditures for general goverment programming, excluding the Jobs Fund and statutory items which the Legislature is not required to approve, will be about 9.5 percent over the most recent revised Estimate for the current year and also about 9.8 percent over the original, printed Estimate. To clarify, that percentage excludes job creation expenditures and statutory expenditures in both 1982-83 and 1983-84.— (Interjection)— Well you know if you people weren't talking you would be hearing. All other items are included.

MR. H. ENNS: 14 percent or 9 percent, what is it? Just be honest with us.

HON. V. SCHROEDER: Even when the Jobs Fund expenditures in the Estimates are included, the growth rate is 11.7 percent over the revised total for this year, and 11.6 percent over the Budget estimate.

I hope members opposite will acknowledge that these are hardly excessive percentage increases, however, the addition of uncontrollable, statutory public debt and Hydro rate stabilization costs raises the overall Estimates considerably, and the growth rate as well. "Print" over revised projection for the Estimates is 15.9 percent. "Print" over "print" is 17.2 percent.

The last page of the revenue Estimates I will table later provides what we believe is a more meaningful summary of our province's budgetary position than has been presented in recent years.

The accounting system remains the same, and the bottom line remains the same, but we are now displaying, in a clearer way than in the past, the components of our overall budgetary requirements - that is, the current or operating deficit, and the budgetary capital deficit.

At various times, some members opposite have attempted to argue that this distinction is not significant. In fact, of course, it is. It is a distinction recognized by the former government in some of its Budgets - later on, not in the beginning - by economists and by investors.

They have indicated on a number of occasions that they are more concerned about deficits for operating expenditures than they are about deficits for capital expenditures of a lasting nature, and we are as well. It is normal to borrow for capital purposes. It is less desirable - though sometimes necessary - to have to borrow to finance a portion of operating costs, but in times of severe economic downturn, it is quite simply the correct and most responsible public policy.

Our estimate for 1983-84, based on total expenditures of about $3.3 billion and total revenues of about $2.7 billion is that the operating deficit will be approximately $275 million and the budgetary capital deficit about $304 million. Total budgetary requirements are forecast to be $578.9 million.

Combining the total Jobs Fund expenditures with the rest of the budgetary capital total makes it possible to calculate that close to 57 percent of our total budgetary requirements are for public investment and jobs. The remainder, the deficit for general government operations, is $249 million.

While the total deficit is obviously larger than the latest estimate for 1982-83, it will be almost exactly the same percentage of total expenditures.

Before Christmas, I indicated that Professor Clarence Barber had agreed to provide our Government with his views on how to make the presentation of our Budget and our other financial statements more useful and informative. He has virtually completed his report and it should be available for tabling reasonably early in the Session. I am advised that Professor Barber's work will include a commentary on the distinction between operating and capital expenditures, it will also demonstrate that the assets, which have been acquired through public borrowing, far exceed in value the size of the public debt related to them. When the report is tabled the Public Accounts Committee may well wish to review Professor Barber's comments and suggestions.

I will also be tabling tonight the summary of our Government's non-budgetary capital authority requirements for the coming year. Next year, the Crown corporations are planning a capital spending program of around $520 million. They will finance these expenditures with about $67 million in internally-generated funds, $60 million in capital authority which was voted in previous years, and $391.9 million in new authority in this year's Loan Acts.

We are now estimating our overall borrowing requirements for the year for both budgetary and non-budgetary purposes at approximately $1.3 billion, including refinancing of issues which become due in 1983-84. We expect to secure $1.2 billion of our requirements in public capital markets. The remainder will come from off-market sources such as the Canada Pension Plan.

It is not expected that total capital expenditures by the provincial public sector, that is, the money actually spent by Crown corporations and Government departments for capital projects will total approximately $840 million in the coming year. That represents an increase of about 20 percent over the total for 1982-83.

The stimulus provided by these expenditures is extremely important for our economy in the short-term, and the lasting assets produced by this investment will further strengthen our economic base for future development.

This Budget makes creating and protecting jobs our number one priority. It dedicates $200 million to a new Jobs Fund for our province.

At the same time, this Budget will protect and improve our existing services; guarantee that the costs of these services are met in the fairest possible way; and ensure that the fiscal integrity of the province remains secure.

It is a Budget which recognizes the realities and the challenges facing our province and it is a Budget which deals with them realistically and responsibly. It will help maintain our economy's solid base, a firm base, from which to move forward when a national recovery takes hold.

As I said earlier, we faced some hard choices in preparing our Budget last year, but this year the choices have been even more difficult, and the same is true for every government in Canada. But we know that business, labour and the other major sectors of our economy must face equally hard choices, and the situation is no different for individual Manitobans and Canadians. We are in a time of uncertainty and great pressure.

Necessarily, it is a time for prudence, but not for inaction. It is a time for innovative, responsible initiatives, guided by the principle of fairness and supported by justifiable confidence in Manitoba and its economy.

It is a time for all of us in this province and all of us in Canada to pull together, to share responsibility, to share the burden of the fight against unemployment and ultimately, to share the benefit of winning that fight and building a stronger economy.

MR. SPEAKER: Are you ready for the question?
The Honourable Leader of the Opposition.

HON. S. LYON: Mr. Speaker, I beg to move, seconded by the Honourable Member for Lakeside, that debate be adjourned.

MOTION presented and carried.

MESSAGES

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: Mr. Speaker, I have three messages from Her Honour, the Lieutenant-Governor of the Province of Manitoba.

MR. SPEAKER: Order please, order please.
The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, Estimates of sums required for the services of the province for the fiscal year ending the 31st of March, 1984, and recommends these Estimates to the Legislative Assembly.

The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, her Estimates of sums required for the services of the province for capital expenditures and recommends these Estimates to the Legislative Assembly.

The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, Estimates of further sums required for the services of the province for capital expenditures and recommends these Estimates to the Legislative Assembly.

HON. V. SCHROEDER: Mr. Speaker, I move, seconded by the Attorney-General, that the said messages, together with the Estimates accompanying the same, be referred to the Committee of Supply.

MOTION presented and carried.

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: I move, seconded by the Attorney-General, that this House will at its next sitting resolve itself into a Committee to Consider of the Supply to be Granted to Her Majesty.

MOTION presented and carried.

MR. SPEAKER: The Honourable Member for Turtle Mountain.

MR. A. RANSOM: Mr. Speaker, I move, seconded by the Member for Lakeside, that debate be adjourned.

MOTION presented and carried.

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: I move, seconded by the Attorney-General, that this House will at its next sitting resolve itself into a Committee to Consider of Ways and Means for Raising of the Supply to be Granted to Her Majesty.

MOTION presented and carried.

MR. SPEAKER: The Honourable Member for Turtle Mountain.

MR. A. RANSOM: Mr. Speaker, I move, seconded by the Member for Lakeside, that debate be adjourned.

MOTION presented and carried.

MR. SPEAKER: The Honourable Government House Leader.

HON. R. PENNER: Mr. Speaker, I move, seconded by the Minister of Finance, that this House do now stand adjourned.

MOTION presented and carried and the House adjourned and stands adjourned until 10:00 a.m. tomorrow. (Friday)