

LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, 10 July, 1986.

Time — 8:00 p.m.

CONCURRENT COMMITTEES OF SUPPLY SUPPLY — INDUSTRY, TRADE AND TECHNOLOGY

MR. CHAIRMAN, M. Dolin: The committee will come to order.

We are on Page 105, Section 2.(c), Resolution 104, Trade — the Member for Sturgeon Creek.

MR. F. JOHNSTON: We were discussing the capital projects. Is there still an agreement between the three western provinces to inform one another of the large projects that are going on in their provinces so that we all can benefit from them?

In other words, something that can't be supplied in Saskatchewan might be supplied from Manitoba or Alberta. It was an agreement or an arrangement that had been worked out, and I wonder if it's still being carried on.

MR. CHAIRMAN: The Honourable Minister.

HON. V. SCHROEDER: There's nothing formal at the moment, I'm told.

MR. F. JOHNSTON: Are there any discussions with the other provinces so that we can be made aware of large projects that are being done in the provinces?

I imagine, at the present time, that Manitoba would have probably the largest but, certainly, when things start developing in the other provinces, it's beneficial.

HON. V. SCHROEDER: There's nothing in place at the moment other than the regular tracking through the press.

MR. F. JOHNSTON: Do the trade officers make trips into Saskatchewan and Alberta to work with the larger projects or to inform the purchasers of what's available in Manitoba?

HON. V. SCHROEDER: We haven't been doing that specifically. Of course, when we're in the other provinces with the trade shows, if there's any opportunity to get together with organizations that are involved in capital projects, our people, of course, try to get as much information as possible and get it back home to the people who might be capable of supplying or being involved with the project.

MR. F. JOHNSTON: There were some trade shows held, I believe it was on medical products, where all provinces came together to display what medical products they had in their province and what was available.

Has there been any more trade shows of that nature in different industries, where the provinces have displays and have people coming to them, naturally; and also finding out what's available in the different provinces?

HON. V. SCHROEDER: Specifically in the health field, that is not happening now. Basically, a number of provinces have their own initiatives going, to attempt to replace imports and do whatever they can to improve on exports in that field. I'm not sure though whether that is happening in other areas; I'm told that it's not.

MR. F. JOHNSTON: In the fashion industry, we had a fashion show here that was held with many of the fashion houses across Canada; in fact, they came from across Canada. The show was held in Manitoba, and the Federal Government worked with us. There were incentives to bring buyers from all parts of North America or the United States. That show has not gone on in the last couple of years. Is there any intention to try and work that show again?

HON. V. SCHROEDER: Mr. Chairman, we haven't had any of those in the last several years, but there is a fashion show in Toronto as an example. We sponsor Manitoba firms going to that.

MR. F. JOHNSTON: That's pass, Mr. Chairman.

MR. CHAIRMAN: 2.(c)(1)—pass; 2.(c)(2)—pass.

2.(d) Health Industry Development Initiatives — the Member for Sturgeon Creek.

MR. F. JOHNSTON: Well, this is a new section of the Estimates. The Minister did mention in his opening statement that this is a new department, so to speak. I wonder if he could give us a rundown of what the Health Industry Development Initiatives section is.

HON. V. SCHROEDER: Just maybe a bit of history on it; it had been recommended by the department and endorsed by the Economic Resources Investment Committee, back in 1984, as a new strategic initiative to develop economic benefits from a fairly major program sector.

The objective is to develop the health industry sector through public effort and private investment, to create economically viable new investment and permanent high-value employment opportunities through export and substitution of imports of health care products and services. That's the first objective; and, secondly, at the same time to improve the quality and productivity and reduce the cost of the administration and delivery of health care services.

It's aimed at stimulating private investment and capturing economic benefits from the existing high levels of public spending in the health sector and at achieving commercial growth through the application of an important component of Manitoba's intellectual capital. It particularly focuses on the export of services as well as manufactured goods.

A target has been established of \$80 million in capital investment and 800 new permanent jobs over the next three to four years. The idea is not to foster large amounts of new public spending but rather to capitalize

on and refocus existing spending in a new approach to achieve the dual economic development and social service efficiency objectives.

We believe there's a number of reasons why this particular initiative is timely now. We urgently need fresh industrial initiatives to replace mature and declining industries and job losses with knowledge-based employment in new high-value jobs.

We believe the health care sector has immediate potential. There are opportunities in research and development, commercial services and goods production. It's a rapidly growing sector with an increasing demand for services internationally reinforced by changing demand arising from a shift in demographics. Exports and import substitution can enhance our trade balance, and since most health products are transportation insensitive, we have no locational advantages or disadvantages.

The initiative builds on an existing threshold of public spending, institutional base and human expertise. Canada has an undeveloped health care industry and imports about 85 percent of the health care products we consume. It's an industrial sector not already pre-empted by some other province or a region of this country.

I think maybe I could just leave it at that and see whether the member has . . .

MR. F. JOHNSTON: Mr. Chairman, there's not what you'd call a large budget for that. How many people are employed in this section?

HON. V. SCHROEDER: There are two people in the department and we have two TAP positions working, a Temporary Assignment Program positions in it.

MR. F. JOHNSTON: Private investment — it's to be done with private investment. Now, there certainly isn't any money here for any incentives from the government, or assistance from the government. Is the government planning to work with the private investment, or any grants to work into any production or development of products in this particular sector?

HON. V. SCHROEDER: Mr. Chairman, we would be prepared to enter into development agreements through funding from the Jobs Fund, if conditions were appropriate.

MR. F. JOHNSTON: The figure of the \$80 million target must have some specific type of medical equipment that you're looking towards. To be able to put a target together, you have to have some idea of what products are going to be developed and sold. What products are you targeting for?

HON. V. SCHROEDER: Maybe what I could do is just sort of go through the generic areas of activity carried out and then give you a couple of examples of what has been done.

First of all, as an area of activity in industrial development: Investment sourcing in the U.S., Eastern Canada, and selected overseas targets. Active projects in this and other segments exceed 40.

Secondly, product development: Import replacement thrust, working with a task force from major health institutions in the province.

Third, technology development: To develop new jobs in health research and stimulate commercial links; to continue working with high level health science steering committee and task force to identify development projects.

Fourth, to keep an eye on emerging needs, to capture opportunities in the high growth, aging, rehabilitation, home care segment of the health care field.

Fifth, the area of information and communications: To develop potential opportunities arising from application of information, communications technology in the health sector.

Sixth, in the area of federal-provincial relations: To capture federal resources for development of the sector.

I'll just give you a couple of examples. Graphic Controls, a Toronto corporation, secured orders from Manitoba firms to produce limb bands and cables, and lead wires. Orders to date — I think I mentioned this the other day — \$100,000.00.

The North American potential for one product alone is several hundred thousand dollars, an impact in the near-term, five to seven jobs.

ABI Biotechnology, which the member may have heard of, \$4 million capital secured; research and development facility established. There's staff recruitment under way. It's dealing with synthetic human growth hormones and synthetic factor aid research which is under way. That plant opened in February of 1986. The impact, in near term, is 20 jobs. I'd gone through a number of those, as examples of completions earlier.

MR. F. JOHNSTON: Investment sourcing overseas, could the Minister elaborate on that?

HON. V. SCHROEDER: Yes, there's Minneapolis, Toronto, the Eastern United States, Los Angeles and several Israeli companies, which we've been dealing with.

MR. F. JOHNSTON: And the investment sourcing and the companies that you've been dealing with, have they given indication of investing in Manitoba to manufacture their products on joint ventures or anything of that nature?

HON. V. SCHROEDER: Mr. Chairman, I'll give you some more examples, and I'm told that contact was initiated by our staff in the location of these companies. Honeywell is an example in Toronto. We're working with the firm to identify product for manufacture in Manitoba, to serve Honeywell worldwide distribution capability. A marketing review by the firm is under way to identify product opportunity. The view of the department on this one is that there is moderate early potential, important long-term possibilities. Siemens in West Germany, again we're working with the firm to encourage the R and D Program at the St. Boniface Hospital research facility, and a small dental furniture manufacturing operation; Bertec in Montreal are considering establishing an assembly plant for hospital beds and some component manufacture, potential near-term impact, 10 jobs growing to 20 or 30 later; American Hospital Supply, Toronto, and again, following visits, their vice-president has visited Winnipeg in May to

identify products and components for the Canadian market which could be sourced in Manitoba.

MR. F. JOHNSTON: And any funding arrangements that the government would have to be through the Jobs Fund?

HON. V. SCHROEDER: So far we haven't had to use any, but we don't have any other source for this particular component.

MR. F. JOHNSTON: The export replacements, you mentioned a committee that has been set up. Does this committee sit to advise the government on what products could be manufactured in Manitoba? And then, of course, the target would be to go after that type of operation or convince that company to manufacture here.

The medical industry, I know, is one that we purchase a tremendous amount of the goods that we use. We had that as one of our targets years ago. Many of the companies' capacities are such that they can supply the Canadian market at the present time and the market that they are servicing.

The expansion that you're looking for is companies with a product that can be international because, as you mentioned, health products or many of the health components that are used are of a type that they're not freight-intensive. Sometimes you can get 50 million of them in a boxcar and sometimes you can only get one, but that one is such a high price the freight component doesn't really enter into it.

What companies have you been looking at for export replacement and exportation? You've named some companies of international that's the sourcing. But has there been anything done with this committee to point to an export replacement that would be for the benefit of Manitoba?

HON. V. SCHROEDER: Yes, Mr. Chairman, the committee is made up of people from the health industry in Manitoba from the hospitals, people who have experience in knowing basically very much what kind of products they're purchasing from outside, and what would seem initially to be products which we should be able to produce here. Incidentally, the estimate is that we spend about \$300 million a year on supplies.

They came up with about 30 products. Some of the companies we're dealing with are, as an example: Bertec; I'd mentioned earlier, hospital beds; Tansley Manufacturing, stainless steel carts; APR Industries — that's Winnipeg — home care and beds; Devtech — Warren, I believe, Manitoba — walking aids; AOCO of Toronto, Ontario, optical lenses. Those would be some specific examples.

MR. F. JOHNSTON: In this division now, you have a committee advise you on replacements, are there several committees, two or three, and then one overall committee? Or is it just one committee?

HON. V. SCHROEDER: Mr. Chairman, there are a number of other committees. The one with which I am most familiar is the Information Communication Committee, which has been quite active at looking at

ways of developing information flow systems in our hospitals to improve them, to reduce errors, to increase the amount of time people can devote to patient care, to reduce patient days, to improve the flow of information from the laboratories to the doctors and that sort of thing. There's been quite a bit of work done there.

There are good indications that there are some improvements to be found for the health care systems in that area, as well as some savings. Some U.S. hospitals have been working in that area, and there are some fairly interesting results coming out. So that's one area, and we have again people from the hospitals or people from the health care community on that committee.

There's another committee dealing with the whole area of aging and rehabilitation. There's the Product Development Committee. There's a federal-provincial and local committee as well; it's called Medical Science.

MR. F. JOHNSTON: Well, when you speak of communications, does this return to the communications agreement? Any funding coming from that? I'm looking at that communications agreement at the present time.

HON. V. SCHROEDER: I'm sorry, Mr. Chairman. I was sort of — the Page is sending messages in here.

MR. CHAIRMAN: Could the member please repeat the question?

MR. F. JOHNSTON: Okay. When you speak of communications, cutting costs in the hospitals because of new and better types of communication systems, are you working with the Canada-Manitoba Communications Agreement under the Cultural Enterprises? Like again, we have technology application products, and we have the Cultural Enterprises Developments, but the question can be answered very quickly. Are you working under this agreement with that communication?

HON. V. SCHROEDER: Yes.

MR. F. JOHNSTON: What section does it really come under? I mean, you've got . . .

HON. V. SCHROEDER: It would be under communications.

MR. F. JOHNSTON: It's under communications, but under the communications agreement you have components one through to nine. I'm wondering which one it comes under. Does it come under the same one we spoke of before, Technology Application Projects?

HON. V. SCHROEDER: I believe it comes under Electronic Publishing or Innovation Project.

MR. F. JOHNSTON: Electronic Publishing.

HON. V. SCHROEDER: . . . or Innovation Project.

MR. F. JOHNSTON: Would that be Skills Development Facilities? Are we looking at the same thing? There's the one I'm looking at.

HON. V. SCHROEDER: Yes, Mr. Chairman, it does come under Sector A Communications Information Technologies, Component 1, Technology Applications Projects.

MR. F. JOHNSTON: Well, as I understand it then from what the Minister said previously about the other industry that's starting in Manitoba, it's that the Federal Government basically has the decision on the expenditures of the money under this section?

HON. V. SCHROEDER: The decisions are joint.

MR. F. JOHNSTON: I see.

So then there can be some assistance for the research of cost-cutting projects for communications. Would this cover any other type of medical components from the point of view of cost-cutting, or would it have to be in the communications end of it?

HON. V. SCHROEDER: Under this sector, it would have to be a communications application, but there are other components as the member has indicated.

MR. F. JOHNSTON: When you're looking at your target of \$80 million, what do you feel you will accomplish at the end of '86-87 or '86?

HON. V. SCHROEDER: Mr. Chairman, for this year the target is to complete, in terms of finalization or having agreements in place, for \$10 million in investment and 100 jobs.

MR. F. JOHNSTON: That's with the companies you're presently working with and that have — you mentioned Israeli companies and what have you — that's tying them down, or those that you're working with you feel will be about \$10 million?

HON. V. SCHROEDER: Yes. Obviously, we'll not ever tie down all or even half the companies one starts out with.

MR. F. JOHNSTON: Pass.

MR. CHAIRMAN: 2.(d)(1)—pass; 2.(d)(2)—pass.

Resolution No. 104: Resolved that there be granted to Her Majesty a sum not exceeding \$2,746,100 for Industry, Trade and Technology, Industry and Trade Division, for the fiscal year ending the 31st day of March, 1987—pass.

We will now deal with Item 3, Technology Division, 3.(a), Technology — the Member for Sturgeon Creek.

MR. J. JOHNSTON: We have, I believe, a director or an assistant deputy in the technology part of it. What is the . . .

MR. CHAIRMAN: Has the member finished?

MR. F. JOHNSTON: No. We were thinking technology services to government and industry. Is this where we have the computer section, computer technologies?

HON. V. SCHROEDER: You're thinking of the information technology?

MR. F. JOHNSTON: Yes.

HON. V. SCHROEDER: Yes, it is a part of this.

MR. F. JOHNSTON: Have we been able to advance any more computer industry in the Province of Manitoba or have we been working with any companies to put together any technologies?

We have not been all that successful with the tech. computer companies. We've had two or three start and go under. Are there any companies at the present time that are presently being worked with to have any production in Manitoba?

HON. V. SCHROEDER: We're having ongoing discussions obviously with a company that's been here for a while, Burroughs, but there's no question that there are difficult times in that industry in North America. What's happening is that, as an example, practically all of the the disc drives are now being manufactured in the Far East and that's for all of the computer companies. They're basically sourcing their supplies elsewhere and a lot of the components elsewhere.

But, as an example, Burroughs is in the process of possibly starting a computer, a Canadian model, the Icon, and we're doing everything we can to encourage them to do their North American manufacturing here. But it's not an area where I would be overly optimistic for growth in North America. There's been a lot of deterioration, in fact, in employment over the last few years across North America.

I should say we're more interested; we feel that the area for growth can be in the area of software.

MR. F. JOHNSTON: Last year at this time the InfoTech Centre was just being set up or just near completion. I imagine it is completed.

Really, what benefits has it given the computer industry in the Province of Manitoba? I know that we have available there information as to what probably the best computers would be for different programs, schools, municipalities, all of those types of things and people using and understanding the computers. What really has developed from that particular centre now?

HON. V. SCHROEDER: Mr. Chairman, it's basically three components; it's educational, office technology, transfer and business development. It did open actually less than a year ago, September of 1985. Of course, we had some funding from the Public Schools Finance Board; incidentally, it was \$1.38 million overall, and we got \$630,700 from the Public Schools Finance Board.

Eight companies have committed in excess of \$4.3 million in equipment, software, staff and technical support, and we are developing an international reputation attracting visitors from Europe, Japan and the United States.

There have been a number of articles in national and international newspapers and magazines published on our centre, and we are now recognized as a leader in Canada in the advancement of educational technology in the K-12 educational system.

As representatives to the ERDA Communication and Cultural Enterprises, a technology application sub-agreement provided leadership in directing 2.7 million

toward the establishment and/or support of seven companies to develop advanced technology. This program has realized in excess of \$12 million in private investment.

Maybe I can just stop there and see whether you

MR. F. JOHNSTON: You say private investments. I'm not disputing the popularity of the centre. As I said earlier, it's almost like a showroom for computer companies. It does give information on computer technology. I'm concerned, though, about what Manitoba received from that in the form of investments and jobs created.

HON. V. SCHROEDER: Mr. Chairman, the member refers to it as a showroom and I think that is one aspect of what it is. It does provide information to potential users, as to what is available.

It also provides information to potential suppliers as to what they might be able to do in the area of supply. It's put to me that it marshalls both supply and demand for the product and certainly it has improved the knowledge of Manitobans, Manitoba businesses, Manitoba education, as to what they can do within the whole information technology field. I'll just leave it at that.

MR. F. JOHNSTON: Mr. Chairman, from the point of view of what companies can do, we are assisting businesses in the Province of Manitoba, and small businesses on the use of computers, etc. We have a situation where you have companies that are selling computers, who have the responsibility to call on customers and show what their products can do and won't do.

I have no objection, and I would think it's probably good to have a centre that could assist small businesses in asking information of what might be the best or what might not be the best. But I have reservations as to whether the government should be sort of supplying a service that these companies should supply themselves.

Now, I recognize they've supplied the equipment to it, but I wonder what kind of a service we're giving the companies here that they should be doing themselves.

HON. V. SCHROEDER: Mr. Chairman, in the area of business development, we are promoting the development of business and markets for information technology industries. We believe that we are thereby increasing long-term economic development jobs through business development support, market development support.

We're promoting awareness and the use of information technology, awareness and use of the technology, both to small and medium-sized businesses. We believe that does increase their effectiveness and their competitiveness, resulting in improved employment opportunities through things such as consulting services, skill development, business information and support services, pilot projects, industry participation, market development, support activities.

Clearly, one of the intents of setting up this program, Information Technology Program, is to attempt to set

up a critical mass of computer expertise within the business community in this province. I should add that we are now nine months into the program, nine months or so since we inaugurated it and, of course, when we started it we weren't going full blast, so I think people have to recognize that it's going to take a little bit of time for us to be able to come back with specific achievements that are quantifiable in a way that we could understand here.

MR. DEPUTY CHAIRMAN, S. Ashton: The Member for Sturgeon Creek.

MR. F. JOHNSTON: Now, in the Technology, where is the budget for that particular centre?

HON. V. SCHROEDER: Mr. Chairman, it's in the Jobs Fund Estimates. It's \$2,325,000.00.

MR. F. JOHNSTON: That \$2,325,000 is what the government has in it for this year. Is that what you might call a complete write-off from the point of view that there's no income generated and that the purpose behind it is to generate what the Minister just said, information to businesses regarding computer technology, to create more efficiency, to create more jobs? Is that what that is costing, or is there any income from it?

HON. V. SCHROEDER: For the current year, that is what it is going to cost. We do have a plan we're developing over the next five years, to be putting ourselves in a position where a significant portion of it would be covered by revenue from people using the facilities.

MR. F. JOHNSTON: Does this Technology Department take in the electronics centre at the University of Manitoba?

HON. V. SCHROEDER: We have a good working relationship with the university and a number of faculties, but there are no formal agreements at the moment.

MR. F. JOHNSTON: We have a good working agreement but don't we have — maybe it's been transferred to Energy or something — didn't we have, under Dr. Kisner, a working relation with the university and a board that was set up to advise and work with that particular group, and also extended to working with industry?

HON. V. SCHROEDER: I'm told we provided a grant of \$25,000 in February to IAMC, and that there's currently an ongoing study between us and the Federal Government, and I presume the university, as to the future of it.

MR. F. JOHNSTON: IAMC? I'm sure we're talking about the same thing. I've always called it the Electronics Research Centre. What are you calling it?

HON. V. SCHROEDER: I'm calling it IAMC because the words are so long, but it's the same. It is the one the member was referring to. Industrial Application Microelectronics Centre.

MR. F. JOHNSTON: There used to be a board that was put together with that centre, and I believe we had recommendations or made some appointments to that board as to the projects that electronics centre might still work on, basically, because of Dr. Kisner's ability in . . . etc. Is that board still in existence with them or do we still have any appointments to that board?

HON. V. SCHROEDER: Yes, Mr. Chairman, we have Hugh Eliasson as our appointee on that board.

MR. F. JOHNSTON: What other technology groups have we got that we're working with? I don't want to waste a lot of time on them. I know it's very intricate work and it's very — I'm just wondering which ones . . .

HON. V. SCHROEDER: We do have a number of areas where we support science and technology, through InfoTech Manitoba; through the Manitoba Research Council; the Technology Commercialization Program, which is support for technological entrepreneurship and the commercialization of innovative technologies; Strategic Research Support Program, which is support for research and development activities important for Manitoba's needs, resources and potentials; the Technology Discovery Program, which is support for activities related to a public awareness of science and technology issues and for the further development of those issues; direct contribution to the Manitoba Research Council of \$3,057,000 for its operations including the Industrial Technology Centre and the Canadian Food Products Development Centre.

There is other support by the government for technological development, again derived through programs we discussed earlier: the Urban Bus Agreement; the ERDA planning agreement; and, of course, the department's health and industry development initiative.

I should point out as well that wherever possible, we always do attempt to ensure the maximum use of federal funding; for example, encouraging the use of the National Research Council's Industrial Research Assistance Program and encouraging industry to participate in the Natural Sciences and Engineering Research Council programs.

MR. F. JOHNSTON: Mr. Chairman, I just would like to read what I should have read, before I asked the Minister about the programs. We asked last year what these programs were and we got the same answers: Technical Commercialization programs, Strategic Research Support Program, Technology . . . Dialogue Graduate Scholarship Program. I imagine those are all available.

Mr. Chairman, what does this department do as far as transferring technology information, or what is their procedure for transferring technology information to industry? I don't see what programs they have that would be assisting industry as far as technology is concerned. Do the industries come to this department?

The answer from the Minister was that this is a policy branch in terms of the board area of technology and is responsible, as I mentioned, for technology programming under the Jobs Fund, which includes technology commercialization programs for jobs. I haven't seen any change here.

I'll ask the question again: where is the money benefiting the industries in Manitoba to create jobs? Now, I know that assistance on technology will create jobs, but we have not seen any real advancement on the transfer of technologies to industry in the province, at least it doesn't appear as if there is.

What are the strides forward that have been made over the past year as far as industry receiving more technology information from the government? What input does industry have, from the point of view of letting you know what type of technology they are looking for?

HON. V. SCHROEDER: In the Technology Commercialization Program, we're providing, as an example, business incubator occupancy at the Industrial Technology Centre. Of course, there is continual turnover there. The program is intended to provide assistance for the start-up of innovative new firms, in the adaptation and transfer of new technologies, to established firms in the province. The program does interact, I'm told, extensively with businesses in the province. It is not a bureaucratic process.

I suppose one could refer to specific areas where we have assisted companies. There have been over 30 companies being supported; actually there are three elements in the program. The new business assistance, investment and technology transfer, K and S Tool and Dye, which is a manufacturer of precision magnets, received assistance in the area of technology transfer and I believe that was from the University of Manitoba. We've put a fair bit of money into making sure that that wound up being a success.

Ambutech; we put some investment in there for aids for the handicapped. There's another company called Sub Rosa, where we put new business assistance money into software products; ERT Manufacturing which was again, new business assistance for cable harnesses.

Four major technology transfer mechanisms are the Industrial Technology Centre; the Food Technology Centre; the technology transfer element of the Technology Commercialization Program, or TCP; and InfoTech.

MR. CHAIRMAN: The Member for Portage.

MR. E. CONNERY: Mr. Chairman, I'd like to ask the Minister, what is the total amount of money the Jobs Fund puts into here? Is that \$2 million the total Jobs Funds money that is in this program?

HON. V. SCHROEDER: The \$2 million is InfoTech.

MR. E. CONNERY: What is the total amount of money that the Jobs Fund has put into here?

HON. V. SCHROEDER: Mr. Chairman, it would be about \$4.5 million and then in addition to that of course, would be any funds under any of the ERDA's or the development agreements.

MR. E. CONNERY: Why does it come through the Jobs Fund, rather than being budgeted within this division?

HON. V. SCHROEDER: I'm not sure that I want to get into the funds of the Jobs Fund tonight.

MR. E. CONNERY: It seems strange that you would use the Jobs Fund for this thing. When you're doing your budget, is there no targetting of money that you're prepared to put in when you're starting? Or do you just fly it and then if somebody wants money you pluck it out of the Jobs Fund? It doesn't look like a planning process where you're going to target so much money for this technology sector.

HON. V. SCHROEDER: We targeted it at the beginning of the year, in the same way that we targeted other money. We have a fund which we have set aside as being a fund to ensure that there would be more jobs in this province, more people working. I suppose if we want to get into rationales, we're going to have ourselves a nice long philosophical discussion, but it's simply not correct to say that we haven't budgeted it appropriately or haven't thought it out beforehand. We have thought it out. We have made a decision ahead of time in the same way we made a decision with any other part of this department in terms of what we wanted to do with the Jobs Fund portion that comes to this department.

MR. E. CONNERY: Maybe this is where the Auditor gets some concerns, as myself as a new MLA. I sit down and I read the Estimates, and I see a budget of 283,000 and a budget of 52,000.00. It looks like the technology area is a very low-profile industry or part of the Estimates. Then we find out that there's \$4.5 million being spent through the Jobs Fund. I just find that absolutely ludicrous that we would have that sort of an estimate situation where you don't put down what you're actually spending on the Estimates. Hell, nobody in business or industry would ever think to have this sort of gobbledy-gook going on.

HON. V. SCHROEDER: That's the biggest pile of nonsense I've heard today.

MR. E. CONNERY: Well, maybe it's the second biggest pile. The first biggest pile is the Estimates.

HON. V. SCHROEDER: Mr. Chairman, let's look at the results. We have been very specifically, as a government, targeting money toward job creation and economic investment in this province.

We have a Committee of Cabinet, the Economic Resources Investment Committee, which spends a great deal of time and puts a lot of effort into ensuring that the limited resources we have will be targeted appropriately for job creation. That is the way we are doing it.

It is not correct to say that the money doesn't show up to members of the Legislature, because every penny that we are spending here will show up before you leave this Session, before the end of the Session, every single penny. You can debate and we can debate, but we have decided as a government, as we have the right to do, that we would take a chunk of money that we would designate to provide jobs and a future for this province.

When you look at today's Globe and Mail, as an example, the business section which refers to Manitoba as, the one word to describe Manitoba is upward — and they refer to a number of statistics about this

province and give us a glowing rating for the way in which our economy is moving — I think we've demonstrated the fact that the Jobs Fund and the way we are operating it makes an awful lot more sense than simply saying we're going to have some individual department operating off on their own with their own priorities, without having it filtered through an organization which is absolutely geared toward economic resources investment for jobs for Manitobans.

MR. E. CONNERY: Standard and Poor's waved a little bit of a flag when they looked at our rating, so I think that's one indication that everything isn't all roses.

When we look at the investment and then you take the housing starts out of private investment, you find out that your private investment is below what it was in 1981. So the investment has come through the public sector, which is not generating new jobs in the sense that they're going to be self-supporting.

But to say that you're only spending this \$335,000 and then we find out — if I hadn't asked how much money is the Jobs Fund spending in the Technology Division — we wouldn't know unless we search a whole lot of other records. To me, these are the most inaccurate sort of Estimates that I could perceive.

HON. V. SCHROEDER: The member quotes dogma rather than fact and it may well be part of the Tory religion that he seems to think that, under an NDP Government, we're not going to have private investment. The fact of the matter is that that's not true.

The fact of the matter is that we've had some of the strongest investment growth in this country over the last three years. And if you take the last four years, we have the strongest investment growth in the country, of any province.

You take a look at your Tory years, Sir. You take a look at what happened to this province when you people were running this show and you didn't have a Jobs Fund, and you didn't have a great deal in the area of strategies for developing this province, and you didn't have confidence in this province. When you left office, Sir, we had fewer people in this province than when you took office in 1977. You had a deficit, although you had . . .

MR. CHAIRMAN: Excuse me, Mr. Minister, if I might. The debate is very interesting, and I think it's probably more appropriate for the campaign trail.

We are on Item 3.(a) Technology. Are there any questions specifically on this item?

Item 3.(a)(1)—the Member for Sturgeon Creek.

MR. F. JOHNSTON: Mr. Chairman, the question I would ask is, when the recommendations from the Technology Division of this department come to the Jobs Fund, a recommendation from the Department of Industry, Trade and Technology, is it regarded as one that is going to pass, or is there another group above the Department of Industry, Trade and Technology as far as jobs are concerned in this province that would make that decision?

HON. V. SCHROEDER: Mr. Chairman, the proposals, of course, coming from our department to the Jobs

Fund are evaluated by Jobs Fund staff, just like they would be from any other department, and they are subject to the approval of the Jobs Fund where the money comes out of the Jobs Fund.

At the same time, I believe that up until this point, as an example, when it comes to development agreements, although there have been requests for some changes occasionally, every development agreement brought forward has been either approved, or approved as amended, by the Jobs Fund Board.

MR. F. JOHNSTON: So under those circumstances it really didn't matter whether the money was in this department or in the Jobs Fund. It would be doing the same thing.

HON. V. SCHROEDER: Not quite. As I said, there have been amendments. You're close, but it's a matter of also ensuring that the department that advocates a position is not totally the final arbiter of whether or not a project will go ahead.

In a line department, I think there's a tendency, when you get on to a particular project, to become probably more enthusiastic than other people who aren't as closely involved might be; and I think the fact that you are required to justify a proposal to a staffed committee of Cabinet after you've worked it through does ensure that you're going to be fairly careful in what you're proposing. Of course, as I've said, even then we have made some changes, although the staff in this department I think are absolutely superb and they've come forward with some very, very good proposals that I think will be, in the long term, in the best interests of the province.

MR. F. JOHNSTON: What the Minister has just said is that the money could be in this department or it could be in the Jobs Fund and there is the committee of Cabinet that looks over all the projects, so it really doesn't matter whether the money, which department it's in. So the money is basically for this department and there is a committee of Cabinet that takes a look at it, whether the money comes from the Jobs Fund or this department.

HON. V. SCHROEDER: I would say that's fair, sure. Obviously, people can make the decision as to where they want the money to be as long as it's understood that it is the right of the government to make the decision as to in which department it will be.

MR. E. CONNERY: I just want to read into Hansard the statistics which are from the Manitoba Bureau of Statistics, that from 1981-1985, if we eliminate the additional housing starts, private investment . . .

MR. CHAIRMAN: Excuse me, but is this relevant to Item 3.(a) Technology, under this . . .

MR. E. CONNERY: The Minister brought this up, that they had done so well.

HON. V. SCHROEDER: And the Minister was cut off.

MR. CHAIRMAN: I told the Minister that this is more appropriate for the campaign trail. When the campaign

trail begins again, I'm sure both you and the Minister can enter . . .

MR. E. CONNERY: The Minister made . . .

MR. CHAIRMAN: Excuse me. Here we are considering the Estimates under Industry, Trade and Technology; we are on Item 3.(a). You have free opportunities in the House to read anything you wish into the record. This is not the appropriate time.

MR. E. CONNERY: You didn't cut the Minister off when he ran off . . .

MR. CHAIRMAN: I did.

MR. E. CONNERY: Oh, after he had . . .

MR. CHAIRMAN: Excuse me, but are you challenging the authority of the Chair? I would appreciate it if we stuck to the Estimates as outlined here. We're on Item 3.(a).

To correct the member, I did cut the Minister off because I felt his comments were inappropriate for these Estimates, and I am suggesting to the member that I am treating him equally, fairly and equivalently.

Does the member have a question relating to Item 3.(a)?

MR. E. CONNERY: What's the point? Go ahead, Frank.

HON. L. EVANS: Just on this point of order, too, now you are very correct, Mr. Chairman. It's always a difficulty; it's human nature, I guess. We tend to get off the specific topic.

For the information of the Member for Portage, when you get to the Minister's Salary you have an opportunity for more wide-ranging discussion and observations; but on this side we're obliged to stick to Technology or whatever the particular item is. There is a place in the Minister's Salary, which is a more broad item, and you can discuss general industrial programs, impacts and effectiveness of the department's work, etc., at that point.

So I think the Chairman's point is well taken. We should stick to the specific line under question.

MR. CHAIRMAN: Just for the member's information, to point out further that the Chair is not being authoritarian or arbitrary, I would refer him to Rule 64(2) which says, "Speeches in the Committee of the Whole House must be strictly relevant to the item or clause under discussion."

When we reach Item 1.(a), I'm sure the member will have ample opportunity to express any opinions of general nature relevant to the Department of Industry, Trade and Technology.

Item 3.(a) . . .

MR. F. JOHNSTON: Mr. Chairman, on a point of order.

MR. CHAIRMAN: Yes, the Member for Sturgeon Creek.

MR. F. JOHNSTON: Mr. Chairman, the member earlier asked a question legitimately as to whether he felt that

these Estimates or this line was accurate from the point of view that the money isn't here, it's in some other fund.

The Minister obviously has been sitting there for days, or the last two days, waiting for some opening to give us a lecture, which he did, and he was allowed to do so for quite a while and then you cut him off.

MR. CHAIRMAN: Yes.

MR. F. JOHNSTON: My colleague here tried to bring some points, some more points that the Minister had brought up to the Minister's attention and he wasn't allowed to. Now, if that's the name of the game, keep it that way and keep it that close or else we might have another vote, Mr. Chairman.

MR. CHAIRMAN: I would suggest to the honourable member that perhaps the Chair was somewhat remiss in allowing the Minister to go longer than he should have. I did cut him off when I realized the inappropriateness of his remarks under 64(2). I treated the Member for Portage equally. — (Interjection) — I beg your pardon. If you wish to challenge the authority of the Chair, you may do so by the manner prescribed in the rules. If you wish to continue with the Estimates, you may also do so.

Item 3.(a)(1) has been passed; Item 3.(a)(2)—pass. 3.(b), Information Technology.

HON. L. DESJARDINS: You're going to blow a gasket.

MR. F. JOHNSTON: Well, Mr. Chairman, you know your committee would probably run better without people who say "you're going to blow a gasket" to you across the floor.

HON. L. DESJARDINS: What did you say?

MR. F. JOHNSTON: Because I said the old blowhard is in the room again and that's perfectly right.

HON. L. DESJARDINS: You can say whatever you want, eh?

MR. F. JOHNSTON: That's right.

HON. L. DESJARDINS: Yeah, okay.

MR. F. JOHNSTON: The ball bounces both ways.

MR. CHAIRMAN: Excuse me. The cross-commentary I think is unnecessary.

The Member for Sturgeon Creek.

MR. F. JOHNSTON: The Information Technology provides for a certain amount of economic development initiatives and policies through the application of information technologies in the public and private sectors.

I would ask the Minister if this section — we may have glided into it when we were talking about the one above. Now what is the difference between (a) and (b) in this section?

HON. V. SCHROEDER: Information Technology is the one that correctly would be discussed under (b) and, as the member indicated, we discussed it briefly under (a).

MR. F. JOHNSTON: Information Technology, creation of economic development incentives and policies. What policies, incentive policies, are we referring to?

HON. V. SCHROEDER: Mr. Chairman, the purpose is to promote the expansion of an information technology industry, and the objectives are to identify and coordinate development of information technology investment opportunities within the department and throughout the public sector.

It's a policy to establish an awareness within the government of the need to leverage public sector investments in information technology, to secure industrial and economic development benefits. It's a further policy to identify and direct federal funds to support technology development within Manitoba Information Technology Enterprise; further policy to manage the achievement of the Information Technology Program's operational and economic development objectives under uncertain, long-term funding commitments; and further policy to promote the image of Manitoba — in Canada and abroad — as a leader in the development of selected computer and communication technology applications.

MR. F. JOHNSTON: Now, under this appropriation, we just have the salaries of the people involved in it and a small appropriation for Other Expenditures. What is the appropriation or the amount that is set aside from this department in the Jobs Fund or whatever fund that the money is paid from?

HON. V. SCHROEDER: It's 4.5 million for all of the technology programs.

MR. F. JOHNSTON: 4.5 million, plus InfoTech at 2 million?

HON. V. SCHROEDER: Yes, that includes InfoTech.

MR. F. JOHNSTON: So the 4.5 that we were given under section (a) really refers to section (b) as well, or a total; then I would ask what is the difference between the two areas? What jobs or what does the personnel do that's different from the other jobs in these two sections?

HON. V. SCHROEDER: The technology is within the department. It's Industrial, Trade and Technology Department. The Information Technology Centre is the one that is out in Deer Lodge.

MR. F. JOHNSTON: So what we have spoken about here in Information Technology is the InfoTech Centre, section (b)? — that's all it takes care of?

HON. V. SCHROEDER: Yes.

MR. CHAIRMAN: 3.(b)(1)—pass. 3.(b)(2) — the Member for Portage.

MR. E. CONNERY: How many different programs are under the 4.5 million Jobs Fund? Are those are the ones that were listed earlier in the Annual Report, or is there other than that, or should I say from last year's Hansard? What I'd like is a breakdown of the 4.5 million and where it was spent.

HON. V. SCHROEDER: We'll try to get that. There's five Industrial Technology Programs, and the Information Technology Program is split out into three, which I had earlier mentioned.

MR. E. CONNERY: That information will be provided to us?

HON. V. SCHROEDER: There's no reason not to.

MR. CHAIRMAN: I would suggest if you're asking for a breakdown, it's Resolution 144 which will be debated under the Jobs Fund, if you're asking for a breakdown on Jobs Fund spending, on Page 142. When that comes up in the Estimates, I would assume that would be the appropriate place to ask those questions.

The Member for Portage.

MR. E. CONNERY: Well, if the money is spent within this section, why would we not discuss what programs the money was spent on? Why would we wait for the Jobs Fund?

MR. CHAIRMAN: I think that's a reasonable request
. . . .

MR. E. CONNERY: That's what I thought. We're on the same wavelength for a change.

MR. CHAIRMAN: . . . the problem being is the way the Estimates are laid out. I sympathize with the member's problem. The Jobs Fund allocations are under Resolution 144. I think, in principle, we could discuss the particular programs; if you want to discuss them in detail, it would seem more appropriate to do that under Resolution 144.

HON. V. SCHROEDER: Yes, I did say that we were going to provide to the member, and as I speak, the numbers come partially forward.

Yes, Information Technology is 2.3; Technology Discovery is .1; Graduate Scholarship Program is .1; Strategic Research Support Program is .4; Technology Commercialization Program is 1.6 million, for a total of what should be 4.5.

MR. CHAIRMAN: 3.(b)(2)—pass.
3.(c) Grant Assistance — Manitoba Research Council — the Member for Sturgeon Creek.

MR. F. JOHNSTON: Well, to start off with, let's establish that the Research Council Centre and the Industrial Technology Centre will be moving to the new building, the Research Centre in Winnipeg?

HON. V. SCHROEDER: Mr. Chairman, we're in the middle of negotiations on that. We have indicated to our people that we would be prepared to take

provincially about a quarter of the space in the building. That would include the province, our agencies and Crown corporations and universities and Red River and other community colleges, etc., whoever might be provincial entities. We would be prepared to go to that extent.

We're told that the Federal Government is expecting that the private sector will take up a very significant portion of the operation down there. So we're in the midst of determining how best to utilize the space.

MR. F. JOHNSTON: Now the centre has been gradually paying a little more towards its own operation each year. What is the ratio this year? Has the percentage dropped from — that's the Industrial Technology Centre.

HON. V. SCHROEDER: This year, we're projecting that we will recover 52 percent of the funding; and 57 percent will be in the Industrial Technology Centre; 54 percent at the Food Products Development Centre.

MR. F. JOHNSTON: I get an average of 52 percent, but 57 percent in the Industrial Technology and 54 percent in the foods.

HON. V. SCHROEDER: That doesn't work out.
Mr. Chairman, the 52 percent includes the administration of the MRC directorate. So it's a larger amount than the total of the two centres. That explains the difference.

MR. F. JOHNSTON: Does the Food Centre and the Technology Centre have their own advisory board? Do they each have their own advisory boards made up from industry?

HON. V. SCHROEDER: Mr. Chairman, there's one board of directors, and each organization has its own advisory committee.

MR. F. JOHNSTON: Okay, that's fine then. You're speaking of the Manitoba Research Council Board, then the Food Centre and the Technology Centre have their advisory committees.

HON. V. SCHROEDER: There's the Manitoba Research Council, and they have as an offshoot of the Research Council, a Technical Centres' Board of Directors for those two technical centres and each one of the technical centres has an advisory board.

So in that sense there would be four organizations flowing: first, the Manitoba Research Council; out of that, the Technical Centres' Board of Directors which would look at the affairs of both of those organizations; and then there's an advisory board for each organization.

MR. F. JOHNSTON: Does the Manitoba Research Council and the offshoot board of the Research Council have the final decision regarding policies of the Food Centre and the Technology Centre?

HON. V. SCHROEDER: Mr. Chairman, the Minister would approve the overall plans and, within those plans

— budget and so on within that — the Manitoba Research Council would have full authority.

MR. F. JOHNSTON: Mr. Chairman, the Manitoba Research Council, there's no question that the appointments to that board are interested in general research or development of new products, or how much money they will support somebody with research to develop a new product, etc., or support research within the province.

The Technology Centres are centres that have some research, but basically are centres that are there to provide services to industries. In other words, if you want to fasten those two pieces together to make a product, you know the product will work but you still don't know how to fasten the pieces together, so you go to the Technology Centre to get that type of advice.

The advisory boards of the Technology Centre and the Food Centre should be fairly autonomous from the point of view that they are people from those particular industries — especially in the food area — and when you have an advisory board that gives you good advice and then can be turned down up above, you sometimes have the whole advisory board walk into your office and resign, as they did on me one day, and said if we have to listen to a bunch of people that don't know a damn thing about the food business, we don't intend to be on this job. If we're not going to be able to make decisions, don't call on us.

Has there been any thoughts — and I brought this up with the Minister the last three years — to give some autonomy to the two centres by having their own boards with a lot of decision-making?

HON. V. SCHROEDER: Mr. Chairman, I am told that is a valid concern, that in the last two years there is now greater autonomy in those technical centres than there had been. That has to do with a variety of things, including the fact that the Chairs of each of the advisory committees are also on the Tech Centre Board, voting members, and it's primarily business industry representatives from the council who are sitting on the board.

I haven't been made aware of any cases where there has been a problem. When there are problems, that's when we tend to get involved.

MR. E. CONNERY: Who are on the various boards? What's the makeup of the Research Council?

HON. V. SCHROEDER: The Research Council Chair is Professor Marion Vaisey-Genser, the Vice-Chair is Ralph Bullock, there's Dr. Carl Belke, Vir Bharti, Dr. M.C. Chaturvedi, Mr. Roy Locke, Robert McLeod, Dr. Joel L. Novek, Ken Petrie, Ken Pulfer, Hugh Eliasson, John Ingraham, Sari Tudiver, Dr. A. Wexler, Dr. James Jamieson.

The Technical Centre's Board of Directors: Mr. Bullock, Dr. Chaturvedi, Mr. E. Crowder, Mr. Eliasson, John Ingraham, Mr. H.D. McRorie, Ken Petrie, and Ken Pulfer.

The MRC executive director and MRC centre directors are all on that.

The Industrial Technology Centre's Advisory Committee list of members: Mr. Crowder is the Chair,

Peter Barclay, J.R. Cahoon, R.D. Gurevich, T.H. Higgins, Gary Hosea, Mr. Tough.

The Canadian Food Products Development Centre's Advisory Committee: Mr. H.D. McRorie is the Chair, Dr. Bushuk, Dr. A.E. Earl, Mr. D. Jones, Stan Ridgway, Mr. B. Sandercock, Mr. Tony Van Rosmalen, Mr. A.R. Tweed, and Mike Wallace.

MR. E. CONNERY: What is the reason for that board right below the MRC? Why that extra board in there?

HON. V. SCHROEDER: Mr. Chairman, it's a small group of business-oriented people that meets monthly, chaired by the vice-president of Bristol, to deal more specifically with these areas where they have the expertise in terms of, as the Member for Sturgeon Creek indicated, getting the nuts and bolts put together as opposed to being the research types from the overall board.

MR. E. CONNERY: It hasn't become a stumbling block as far as the recommendations going on through to be approved?

HON. V. SCHROEDER: As I've indicated, I've heard no complaints and usually, when things get hung up, we hear about it fairly quickly.

MR. E. CONNERY: Have you any idea of what portion of the Food Products Development Centre actual revenue really, indirectly, comes through the Federal Government through IRAP and that sort of thing?

HON. V. SCHROEDER: 19.5 percent comes from IRAP.

MR. E. CONNERY: Was it 1984 when the federal-provincial agreement ended and the centre is now totally provincially funded?

HON. V. SCHROEDER: Yes.

MR. E. CONNERY: Does that create a danger that there might not be as much funds available for the centres to operate or is the province picking up the difference?

HON. V. SCHROEDER: We've increased funding and there is no danger of that. We see this as a fairly important thing, an investment in our future.

MR. E. CONNERY: I would assume also that in that period of time, the two centres have become more along the lines where they're getting money from their clients, rather than the initial stages when you're all government money, now there's a better return.

HON. V. SCHROEDER: Yes, that's true. As indicated earlier, that's our intention with the InfoTech Centre as well over a period of time to get revenue flowing there, which I think is only appropriate.

MR. E. CONNERY: I believe in the user fee; otherwise, you get a lot of goofballs coming in and just wanting research done and not putting anything into it.

I'm not familiar, or let's say I haven't used the one on Niakwa, but the Food Products Development Centre,

I will say that they've done a tremendous service for the food industry. I think that it's a very worthwhile institution, which I'm sure the other one is, and as we've all discussed, research is very crucial to our province.

HON. V. SCHROEDER: Just along that line, at some stage when the Session is over, I would welcome members to possibly do a tour of both of those operations and InfoTech, because I think all three of them are something we should have a great deal of pride in and we should be more familiar with than we possibly all are.

MR. E. CONNERY: That's all I have on that area, unless the Member for Sturgeon Creek — I wanted to get into some of the grants just for some verification. This is the area that the grants are?

HON. V. SCHROEDER: No.

MR. E. CONNERY: It's not? Just those two. Where are the other grants, Industry, Trade and Technology incentive grants? That's gone by and we'll have to come back to it when we're doing the Minister's Salary? It would be easier to do it now when he has some help. I'm not out trying to stick him with information he doesn't know; I'd rather know the answers.

Were these granted through the Jobs Fund or did they come out of the appropriations in the IT and T sector?

HON. V. SCHROEDER: Mr. Chairman, all of those grants the member is referring to are funded within the Estimates of Industry, Trade and Technology.

There is the Trade Assistance Program for a number of them where we assist firms in trade promotion, that's out of the trade portion; and the industry portion funds the shared-cost feasibility studies, and they're all from within those areas.

MR. E. CONNERY: There's some of them that I look at then I kind of question when you're looking at those that are interprovincial, international and 50 jobs or more. Some of them are not that large a firm. Is there some overlap between this and VD and T? McCrae Farms Limited for instance?

HON. V. SCHROEDER: Mr. Chairman, the member is quite right that we have that 50, ordinarily the cut off is at 50 jobs. There's three exceptions; one is where we're encouraging a firm from outside of the province to come here, we wouldn't want two different groups out there; the second is with the Technology Commercialization Program, which is run out of this department; and the third is in Trade Assistance; and there again the Department of Business Development and Tourism has no mechanism outside of the province so if there's a trade show or whatever it is that you're taking people to, it's just more convenient to have it all done out of one department.

MR. E. CONNERY: I think basically that answers most of the questions that I had.

MR. F. JOHNSTON: No, I . . .

MR. CHAIRMAN: 3.(c)—the Member for Sturgeon Creek.

MR. F. JOHNSTON: Am I reading this across properly when it says Solvex Limited, \$4,000 or Solvex Inventions Limited, \$4,000.00? I hope I've got that . . . yes.

HON. V. SCHROEDER: Yes, Mr. Chairman, there were two Trade Assistance Program grants.

MR. F. JOHNSTON: The Trade Assistance Program grants created for displaying of the product, were they displaying their Solvex washer again? Do you know how often we've displayed that Solvex washer, Mr. Chairman? I hope they've got a new product.

HON. V. SCHROEDER: Yes.

MR. F. JOHNSTON: I know that the Solvex washer has won design awards, it's won compliments of being one very good idea, but there is a company in United States and one in Canada that has sold more washers than Solvex ever has sold and yet it's the same product, and there comes a time when you can only do so much. They are certainly not moving as much product as they should be.

One thing is they have a much more expensive piece of equipment than most. They're not in the business of delivering and changing solvent like other companies are, etc. So I just wonder what the reasoning is to . . . I know it's a Manitoba company, but how far do we go?

HON. V. SCHROEDER: Mr. Chairman, I'm told that the current limits on participation is two times per year up to two years and then they're out, and I suppose what's happened is that they were out for their length of time and they're back in. I'm told that it's quite persistent marketing on their part that we pick up about 30 percent of their costs.

MR. CHAIRMAN: 3.(c)—pass.

Resolution No. 105: Resolved that there be granted to Her Majesty . . .

MR. F. JOHNSTON: I just want to make a comment of congratulations to the people in the technology centres.

It was the intention when we started them back in '79 and '80 that they start to pay for themselves gradually and it appears as if it's moving up every year to be self-sufficient — I don't know that it ever will be — but I like the idea of at least 50 percent or better income. I think they're to be congratulated.

MR. CHAIRMAN: Resolution No. 105: Resolved that there be granted to Her Majesty a sum not exceeding \$3,563,200 for Industry, Trade and Technology, Technology Division for the fiscal year ending 31st day of March, 1987—pass.

The next item is Item No. 4 on Page 106, Resolution 106, Canada-Manitoba Economic Development Planning Agreement.

The Member for Sturgeon Creek.

MR. F. JOHNSTON: The only question I would have and we may have discussed it; if the answer is yes

we've discussed it. Is this the Urban Bus Development Agreement? Because the Minister mentioned the only one that they have in the Economic Development Agreement is the Urban Bus one, and if that's the case we've already discussed it.

HON. V. SCHROEDER: No, Mr. Chairman, IT and T is the department that's been assigned lead responsibility for the federal-provincial or Canada-Manitoba Economic Development Planning Agreement. And in keeping with standard practice a portion of the expected annual expenditure for the agreement has been included in the Estimates for the department with lead responsibility for the agreement. This year this amounts to \$100,000.00. The balance of expected expenditures \$400,000 in '86-87 is included in the Canada-Manitoba Enabling Vote, which is the Main Estimates, 26, Page 138.

MR. F. JOHNSTON: Okay. Then the list that I have here, one through eight, are the responsibility for different departments but you are the department responsible I guess for holding the meetings as to what's going to happen in the . . .

HON. V. SCHROEDER: Yes.

MR. F. JOHNSTON: And would be responsible for holding the meetings, deciding the allotments and expenditures that will be used in each department this year. I just ask, the administration of that planning agreement is \$100,000.00?

HON. V. SCHROEDER: Mr. Chairman, the percentage of the total expected expenditures, 20 percent is, I'm told, low compared to other departments with lead responsibility for federal-provincial agreements. This reflects the fact that studies undertaken through the agreement are spread widely across a number of the economic departments within our government. Despite the fact that IT and T has lead responsibility. Usage of the agreement funding is truly interdepartmental.

This is entirely in keeping with the original intent and objectives of the agreement.

MR. CHAIRMAN: Resolution 106: Resolved that there be granted to Her Majesty a sum not exceeding \$100,000 for Industry, Trade and Technology, Canada-Manitoba Economic Development Planning for the fiscal year ending the 31st day of March, 1987—pass.

We now return to Item 1.(a) Minister's Salary—the Member for Sturgeon Creek.

MR. F. JOHNSTON: Mr. Chairman, the Minister has not been in this portfolio all that long, so it's very hard to judge what he will be doing with the department. But if the department continues to be floating the way it seems to be floating, I would say that we're looking at a disastrous situation.

The answers I have received for four years have been that we are working on an overall strategy for the overall benefit of the economy of Manitoba to provide jobs, etc.

The Minister and the government may say that we have had a good economy and we have provided some

jobs over the past years, but the job situation has not been anywhere near the creation of jobs since between 1977 and 1981. There were approximately 60,000 jobs created or thereabouts during that time.

Regardless of the recession, the only thing we have going for us is that the economy of the province is looking better over some very bad years. But when they say the economy of the Province of Manitoba is moving up, over and above other provinces, it is not moving up when you take a lot of the private investment such as housing and apartment blocks out of it.

Manufacturing, I repeat from before, is down 4.3 percent in this province. And I repeat, unless we have our manufacturing base, we've got a lot of trouble.

I read over and I take a look at the people involved in this department who I know, have worked with, are excellent people. They are people who have worked hard to bring in investment. I don't say that lightly. I say that with proof in front of me, and I know we had DREE in those days. I show you the lists of companies that either expanded in Manitoba or developed in Manitoba during those years and I can assure you they were on my doorstep every day. Now, if they're not getting the proper direction from the top as to how the policy of the government is to go out and get investment, their hands are tied and they cannot bring it in.

I assure you that to tell me, to name five or six companies that have come forward is all very good, but five or six isn't anywhere near what was done before.

We've had situations at the present time when we've had closures and, boy, do I remember the pounding when we had closures such as Maple Leaf Mills and some of those things and when we had the packing plants closing. Do I remember those? And yet I hear the Minister today tell me that industry is in very dire straits across the country.

But I say that the department — I'm not too sure if it should be a separate department — I don't know that the department couldn't still be associated with Small Business and Tourism. But unless there's some more indication, other than to say that we have these marvelous plans for development of manufacturing and we have strategic planning and I can't for the life of me figure out from the answers that the Minister gave what strategic planning we have. What strategy have we got for the Province of Manitoba other than the one that I hear every year is, that we're working on a long-term overall plan.

So, Mr. Chairman, this Minister and the previous Minister is a good Minister. This Minister doesn't take hold of it. I don't know how this Minister is going to fare with the business people if he's the Minister who brought us the 1.5 payroll tax. He's going to have to overcome the discussions of deficit with companies, because the companies are going to pay the biggest part of his deficit. He's going to have to talk to them about labour legislation that they believe is unfair; whether the government believes it's unfair or not; or whether the government says that's our policy or not, he's got to talk to them about those policies.

So if this Minister doesn't take hold of this department and start to have some results from it that are firm, that we can point to development of manufacturing and the advancement of manufacturing and the many, many areas where we should be having expansion in manufacturing, we've got trouble.

We've got more trouble when you've got the provinces to the west of you saying, we're open for business. If you think that Alberta while the oil business is down, that they're not going after the development of industrial base by manufacturing firms in their province, you're wrong, because they are. Saskatchewan has published programs — published programs — of what they will do to have people come to their province.

When you've got that kind of a situation beside you and you have the attitude of business that Manitoba is passing legislation and doing things that are not beneficial for business, you've got a problem in your department. Your development officers have a problem, and you'll just have to take hold of it and do something about it.

I, quite frankly, don't know how the Minister is going to fight the philosophy of the government, because he's part of it. The philosophy of the government is not one that is attracting industry to this province, and certainly not attracting manufacturing to this province.

HON. V. SCHROEDER: I thought if the critic's statements were the last, then we could go home. He's indicated that I'm new at it. He is, to some extent, saying he's going to at least wait and see in terms of what will happen here. Maybe I'll just see what happens with the next individual. I hope we're not here till midnight, but I'm not going to be taking an awful lot of guff.

MR. F. JOHNSTON: Mr. Chairman, why do we need remarks like that? He doesn't even know whether he's going to have any or not.

MR. CHAIRMAN: I would rule that it was impolite, but not unparliamentary.

The Member for Portage.

MR. E. CONNERY: I would just like to say in the financial situation that we're in, and I think if we take a look at our sister province to the east and we see their budget — and if they maintain the budget they forecast — is that they're going to maintain or increase their social spending, they're going to reduce their deficit. They've increased their finance rating, but they're doing it because they've got an economy that's on the upswing.

I think that's where this province and the Conservatives feel that through Business and Tourism, the two departments, if we're going to make this province able to reduce the deficit and to carry on the programs we've got, this is the area we have to do it.

I have to echo my member's sentiments that I am concerned with the drift of where we're going and I think probably the employees — that Frank knows much better than I do — are excellent employees, but I think it's the direction and the philosophy that's coming, so I am somewhat concerned that it is through business that we're going to make this province tick.

We will give the Minister the opportunity to show what he's going to do; and at this point, being a new Minister in the department, congratulate him for the way that he conducted the committee. Even though we do get to sparring once in a while — that'll never quit — but it was a difficult thing to move into a

department when you haven't been living with it for a year or more, so I thank him for the way he conducted it.

HON. V. SCHROEDER: Mr. Chairman, the deficit, both the critic and Mr. Connery has raised it, and it is a concern. There's no question we are frustrated by it. We would love to have seen something done about it without causing great pain to individuals; but I just point out, it's the same problem that faced the Lyon Government; which, in its last year had a larger deficit than its first year, although they really wanted to do something about it. There's no question they wanted to do something about it.

It's the same problem that's facing Saskatchewan. This last year their deficit was at \$595 million. They started off in office at no deficit. We came in and it was a quarter billion dollar deficit. We've moved that up to \$530 million and that's too much. That's something I guess we'll all have to work together to bring down.

MR. CHAIRMAN: 1.(a)—pass.

Resolution No. 103: Resolved that there be granted to Her Majesty, a sum not exceeding \$2,510,000 for Industry, Trade and Technology, Administration and Finance, for the fiscal year ending the 31st day of March, 1987—pass.

Thank you all.
Committee rise.

SUPPLY — FINANCE

MR. CHAIRMAN, C. Santos: Committee, please come to order.

This section of the Committee of Supply has been considering the Estimates for the Department of Finance.

We are now on Item No. 5.(a)(1), Federal-Provincial Relations and Research Division, Economic and Federal-Provincial Research Branch: Salaries — the Member for Morris.

MR. C. MANNES: Mr. Chairman, I would like to spend the next few minutes or more trying to determine specifically what the value is of all the cash transfers that the government is expecting for the 1986-87 fiscal year. I'm well aware of what is printed in the Estimates of Revenue.

I will quote for the record, Mr. Chairman, that under equalization the government is expecting 510.8 million; under EPF cash transfers they're expecting 434 million.

I'd be interested to know, Mr. Chairman, if the Minister can tell me the value of the taxation points in '86-87 terms.

MR. CHAIRMAN: The Minister of Finance.

HON. E. KOSTYRA: We're just trying to dig out that information. I was wondering if the member wants to ask some other questions and in the interim, we'll find that information.

MR. C. MANNES: Mr. Chairman, while the Minister with the staff of the department is looking for that detail,

I would also serve notice to the Minister that I would like to do a cursory review of the estimated federal transfers to Manitoba in the 1985-86 fiscal year, because I have some figures as provided by the Federal Minister of Finance. I would like to see in a sense how they do compare, although maybe they're already a little outdated. I still would like to see whether there's some basic agreement between the two sources, those being the Federal Government and also our own Department of Finance.

Mr. Chairman, I have before me a News Service Bulletin dated May 16, 1986. The heading of it says: "Manitoba faces \$313 million shortfall from Ottawa." The second paragraph indicates Bill C-96 and I quote: "The Bill C-96 amends The Established Programs Financing Act. It is designed to cut federal support to the provinces for health and higher education by \$2 billion annually by 1991 or \$5.6 billion in all between now and 1991. Manitoba's loss would be \$313 million, about \$300 per person by 1991."

I would ask the Minister of Finance if he could document the loss of \$313 million between now and 1991.

HON. E. KOSTYRA: Going back to the previous question, the amount of money that we anticipate realizing under the EPF tax points is \$272.1 million.

I presume the member is asking that question because he's of the opinion that those figures ought to be included in any recognition of the transfer of EPF funds from the Federal Government. I would just ask him if he believes that is the right position to take, that the tax transfer should be calculated as part of the Federal Government's transfers to the province.

MR. C. MANNES: Mr. Chairman, some day maybe I'll be on that side of the House, and I'll have an opportunity to respond directly to a question of that nature. I can say right now, what I'm interested in trying to determine is whether or not the information provided to us, not by the Minister of Finance or by the Department of Finance, but indeed by Ottawa in any sense is comparable to what the Minister has provided in the past. So that's why I'm asking the values of it.

Obviously, the Minister, in giving me the response, acknowledges that it's accounted for at least, or it's measured; and if it's measured then it's obviously considered to be some portion of benefit that's accrued to the Province of Manitoba over a period of years.

I would ask him further if he can break that \$272 million down — and it's an estimate I understand — between insured health services and post-secondary education, is there a further breakout of that number?

HON. E. KOSTYRA: As we're getting that information, I'll just comment in terms of that 313. That includes what would be lost as a result of the cuts that came through Bill C-96 of \$239 million, plus the impact of the capping that was put in place in 1983 of an additional \$75 million.

I was interested to hear of his comments with respect to the tax points, though, because that seems to be a different position than what was taken previously when members opposite were in government with respect to those tax points.

I would just like to quote from a document that was submitted by the Government of Manitoba, by the Minister of Finance — not by this Minister of Finance, not by my predecessor, but by the Minister of Finance under the Conservative Government in May, 1981 — in a submission that was made to the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements whereby the Government of that Day happened to be a Progressive Conservative Government, made a representation to a federal body with respect to the federal-provincial fiscal arrangements.

Do you know what that document said? I won't read it all to the member. Hopefully, he has read it or would take the time to read it because it's interesting, Mr. Chairman.

In part, and it's talking about the whole issue of EPF, it says, "We also," and these are the words of the Conservative Manitoba Finance Minister of the Day, "We also continue to question the efforts of some in a Federal Government to assert ongoing responsibility for unconditional income tax transfers associated with the EPF arrangements and even, in some cases, to attempt to allocate that transfer among programs on the same basis as arbitrary allocation of the cash transfer."

He goes on to say that parts of the tax transfer have been incorporated in provincial income tax rates since 1967 and the remainder since 1977. I'll emphasize the next sentence, and the reason I emphasize is because it's underlined in this brief, Mr. Chairman. "They are the full responsibility of provincial governments under provincial income tax legislation."

It goes on to say, "It's interesting that if the Federal Government is so anxious to claim credit for these so-called contributions," — so-called contributions, not my words but Conservative words at the time — "it has not made an attempt to advise Canadian taxpayers right on their income tax returns."

It goes on to say that the Federal Government has used the transfer of additional tax points to advance its case that the current federal-provincial fiscal balance is becoming increasingly favourable to the provinces.

So it makes the same point that I've been making and that this government's been making with respect to the tax transfer points, that they are the full responsibility of provincial governments and of provincial income tax legislation.

Not my words, words of the Conservative Provincial Minister of Finance of which some members opposite were part of that government.

MR. C. MANNES: Mr. Chairman, I'm not going to stand and dispute what the Minister has said. I'm not going to stand here and say that if we were in government that we would take a different approach. All I'm standing here doing is asking some very objective questions, and that's dealing with the measurement of that — I'll use the word — "transfer" in the form of tax points. I'll even remove the word "benefit," if the Minister finds that objectionable. Obviously the government, either here or in Ottawa, or both, are tracking it, because the Minister was able to give me a response, so it's measured in that form. He may want to tell me why it continues to be measured. Maybe it's to ready the argument, when the whole issue is being discussed in a federal-provincial sense.

The point is, it is being measured. The government realizes its history, and I'm not going to get up here and debate the history with which it was shifted over to the province, I think, in 1967, and then after that, in 1977. I don't know that history, Mr. Chairman, and I couldn't comment on it intelligently at all.

What I'm trying to determine is whether or not there's any correspondence between the figures as given by the Minister, and the figures that are presented to us by the Federal Minister in Ottawa. The philosophy associated with the tax points, I don't really have to discuss at this point. If the Minister wants to continue to do so, fine; it's his right to do so.

What I'm trying to do right now is just seek some very concrete numbers in response to questions. I think the last one I left with you, Mr. Chairman, was the 272 Estimated Revenue. How does it break down between the two portions: health services and post-secondary education?

HON. E. KOSTRYA: I think I am providing informative and objective answers. He may not care for them, but I certainly am providing that. You have to deal with some of the history to these things, because I'm one that believes that one cannot necessarily live in the past, but one can certainly learn a lot from what goes before us in terms of how we deal with contemporary and future issues.

In terms of the question, the split — and it's a split that does not bear any necessary resemblance to the split between health care and post-secondary expenditures in the province, it goes back to the 1976 formula. The split for health care is 184,719,000; for post-secondary education is 87,423,000, which will, I believe, come to the total that I previously gave of 272.142 — actually I gave 272.1.

MR. C. MANNESS: Mr. Chairman, I thank the Minister for that response. I would just ask, and I'm seeking information, how that split was agreed upon? Is it a number, in spite of the fact that, with respect to the methodology, whether it's agreed upon by either government or not, as to whether this is a benefit to Manitoba; does the split of 272 follow a set formula? The two figures that are factored out, is it basically agreed upon by both levels of government, or is it a number that's been determined in Ottawa and they say, "Here is the split"? I'm just a little bit curious as to who determines it. Is it fixed into formula and is there any basic rationale to that formula?

HON. E. KOSTRYA: It was a Federal Government decision in terms of the split. It goes back to 1976. At that time, the rationale behind it, which was I guess a sound rationale, was taken on the basis of a split between those expenditures nationally. At that time it was 67.9 percent health and 32.1 percent post-secondary education. The split now — (Interjection) — 67.9 and 32.1. For information, now it's developed and it's basically 75-25 nationally, expenditures, but the formula is still the same.

They cap the post-secondary education portion at 30 percent so obviously the health portion is grown to 70 percent at the present time as part of the formula.

MR. C. MANNESS: I would like to ask virtually the same questions with respect to cash transfers under

the EPF. The global figure as provided within the estimate of revenue for '86-87 is \$434 million. I would ask the Minister how that number would be split out between the three categories, those being insured health services, extended health care services and post-secondary education.

HON. E. KOSTRYA: The total, I think as the member is aware, under the cash entitlement is 433.587. It's split out as follows: for insured health services it's 270.249; and for extended health care services it's 48.135.

Oh yes, post-secondary education is 115.203.

MR. C. MANNESS: Mr. Chairman, a similar question as I offered before, can the Minister again tell me whether there's some set formula in place with respect to the splits, or does the same situation apply as he used in answer to my question previously? Or, again, is there some set formula in place and how long has it been in place?

HON. E. KOSTRYA: Yes, again, these go back to 1976. The original split was between the insured health services and post-secondary education, that's pre-1976, 1977 I guess it is. At that time they added an additional factor on a per capita basis for the extended health care services, and it's been subject to the same escalator since that time or has been changed recently.

MR. C. MANNESS: I didn't quite understand the Minister. Did he say the split in 1976 was similar to the one he'd given us previously, roughly 67.9, 32.1 and then the additional factor was introduced, the extended health care services, which obviously would have moderated those shares or splits in some fashion?

HON. E. KOSTRYA: Yes.

MR. C. MANNESS: The Minister, for the record, nods his head in the affirmative, Mr. Chairman.

I would then ask the Minister a question regarding equalization. That level of funding is shown in this year's Estimates of revenue to be 510.8 million. Obviously that includes the 65 million supplementary equalization, the second year of the additional funding that came forward from the Federal Government.

I would ask him, what formula is in place right now and what impact will there be upon that number in the fiscal year, 1987-88? I don't need the formula in great depth, but I would just like some insight into how that number is going to change once we're through this period and no longer have the benefit of the supplementary equalization that was directed to us by the Federal Government.

HON. E. KOSTRYA: I think the member is aware that those arrangements terminate at the end of this fiscal year, so there is going to be a renegotiation of the equalization. So what I could tell him is what the formula would yield if it's exactly the same as it is at the present time, but if it was exactly the same as it is at the present time and just projecting what may take place by that time on some assumptions, it would be \$481 million.

In terms of the actual formula, it has been calculated as the differential between the per capita amount that

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a province would derive from the national average tax rates applied to its tax base. In that, they use 39 revenue sources, and the per capita amount that those national rates apply to a five-province standard tax base, excluding Alberta and the four Maritime provinces, would derive multiplied by provincial population.

MR. C. MANNESS: Mr. Chairman, I would then ask the Minister, because on several occasions, and also he's mentioned, and I've also had an opportunity to read in the literature that the Government of Manitoba was particularly upset when the Federal Government unilaterally moved to come off the 10-province average and go to the five and, obviously, we suffered in some respect.

I would ask, because I would think that this would be tracked were the 10-province average still in effect, what then would either the 510.8 million that we're to receive this year or the 481 million that we would receive next year, if we were still on the formula that's in place? Could he give me any idea what the number would then become, using the 10-province average?

HON. E. KOSTYRA: It would be approximately 230 million higher, not higher than the 510.8, but higher than the 510.8 minus the 65, which would be 445.8. So it would be 230 million higher than what the formula would yield, which would be 445.8 million. So that would be 675.8 million.

We'd also have . . . — (inaudible) — . . . yield next year. We don't have those calculations.

MR. C. MANNESS: Can the Minister indicate specifically what provinces would end up paying more, or does the formula tell us which provinces would end up paying more under that type of system?

HON. E. KOSTYRA: No provinces would pay because it comes directly out of the Federal Treasury which they wouldn't pay directly.

MR. C. MANNESS: One final question on equalization, Mr. Chairman.

Can the Minister tell me when the department and, indeed, the government will be formalizing their final argument on this whole equalization matter, or are we just moving into that phase? Can they give us some indication of what time frame it'll be working within to attempt to come to agreement across the land with respect to the next five-year formula dealing with equalization?

HON. E. KOSTYRA: There are three levels of discussion taking place or will take place with respect to it. There's a technical committee of officials who have had three or four meetings to date and will be continuing. It's been on the agenda of the Deputy Ministers of Finance on one occasion and will be on future occasions. The Finance Ministers have two meetings scheduled within the next few months, basically September and October, and it's anticipated that it will be on the ministerial agenda at those meetings.

At our last meeting, it was discussed more as a progress report of officials, and some debate by Ministers, but not any substantive debate on the issues

or the broad principles that the province has put forward.

MR. C. MANNESS: Mr. Chairman, I'd like to ask a number of specific questions. I don't have to have the answer now, given the time constraint, but I'm wondering if the Minister would undertake to provide answers to these.

Within the cash transfers area, I'm wondering if he could have staff tell me the forecasted cash transfers from the Federal Government in the area of statutory subsidies; secondly, reciprocal taxation; thirdly, public utilities income; fourthly, grants in lieu of property taxes.

Also within the new grouping, under Specific Purpose Transfers, I would ask whether he could provide estimates of Canada Assistance Plan — it's probably within Estimates; secondly, other health and welfare; thirdly, official languages and education; fourthly, services to young offenders; fifthly, crop insurance; sixthly, transportation; and any other that will catch the remainder.

If the Minister would be so kind as to provide those figures also for the completed year, 1985-86, then I could dispose of further questions with respect to transfers as far as detailed numbers.

HON. E. KOSTYRA: We do not have that detailed information here and we didn't even get the full list but, obviously, it will be on Hansard and we will provide the information for this year. In many of those areas there are no projections for subsequent years. It's not provided by the Federal Government in most cases.

MR. C. MANNESS: Mr. Chairman, I have before me one of the documents that was handed out by Mr. Sale at the special briefing of members of the Legislative Assembly, June 6. I don't know which number this document was, but it was titled "The Impacts of Bill C-96 on the Capacity of Provinces to Meet the Requirements for Health and Higher Education Services from 1986 to 1991."

What struck me that day, Mr. Chairman — and I wish some of us had had more time to stay and question the two hosting Ministers, who were the Minister of Health and the Minister of Education, aided by the Minister of Finance — was specific questions dealing with needs, because I can't help but go through this document and indeed others.

An awful lot of emphasis is given to the whole area of need, Mr. Chairman, as if it was a given, as if indeed it's something that we have to assume exists. We therefore have to, under all conditions, be prepared to accept and therefore have to find, regardless of what method, and by what method, the sources to fund those needs.

So I would ask the Minister whether he subscribes to the belief that needs so stated, whether it represents some inflationary index placed against the total global figures that we direct towards these very important service areas, whether their total number has inflated or indexed upward over the years is the number that government has to be prepared to underwrite, that government has to be prepared to find sources of revenue to support.

And what I question, Mr. Chairman, is whether the Minister of Finance, indeed the Government of

Manitoba, ever questions the theoretical global figure of needs because as you can imagine it's abstract to quite a degree, and yet it encompasses what our hopes and our wishes would be as a society, that we would want to do given unlimited resources.

So, Mr. Chairman, I'm trying to draw some response from the Minister as to whether he accepts when he has people within his department tell him that the needs will be a certain figure based on some linear projection of what has occurred maybe over the last 20 years. In this document that I have in front of me, of course, went into great detail as to reviewing the experience over the last 10 years and then extrapolating from it, and saying in a sense that government or Opposition or whoever is in the seat of power, if you're not going to meet those needs then obviously you're going to be failing. I was hoping to elicit some response, Mr. Chairman, from the Minister with respect to whether he supports needs however subjectively defined by those who advise him.

HON. E. KOSTYRA: Well, we certainly on a regular basis question those projections, in fact, in a great detailed way as we deal with the yearly expenditures of government, and have had to make decisions with respect to trying to contain some of those increases in the two largest areas. The broader area of education which includes post-secondary and the earlier levels of education and health care. And the projections that are made in those fields are ones that seem to be supported nationally in terms of what is being projected. Even the Federal Government's Nielsen Task Force in Expenditure Review indicated and I quote, "It said that costs escalation is a concern for all provinces, and it says there's no evidence that any jurisdiction will be able to hold cost increases at or below inflation rates in the foreseeable future". This happened to be the section dealing with EPF but I won't get into that specific argument again. And even members opposite, I mean it was just a few days ago in this Chamber dealing with university funding where we've unfortunately had to keep it at levels at just over 3 percent, there are members opposite saying we should be spending more money on university funding. I don't want to go back into the Budget Debate but there was considerable concerns expressed about specific funding of areas of health and education.

Indeed, even the Federal Minister of Health has talked about the impact of the aging population on Canadian society, particularly on the health care system in this country. He's recognized that that's going to cause increasing demands on the system and the resultant increasing costs. And so, yes, we challenge those figures on a regular basis but I believe it's going to be very difficult, indeed impossible, to see any zero growth in areas like health care or even worse any outright reductions without taking some dramatic steps which would mean putting on fees, user fees, for other more drastic measures in terms of health care.

So those projections and the ones we've used are not ones of our own making but ones that others who watch these fields very carefully project into the future based on what's taking place, and even at that we have not been able to meet all the needs as the member is aware.

MR. C. MANNES: Mr. Chairman, I'm glad to begin the debate in a sense because the Minister has said that nobody wants to make drastic cuts. I think he believes that Bill C-96, when it was pushed through in a manner it was, and the fact that it now brought support, federal support of post-secondary education in health down to a level of 2 percent, formula change 2 percent relative to the GNP, lower than it used to be, that he, at least many of his colleagues indicated that was drastic.

I would then ask the Minister whether the Federal Government should be concerned at all with the fact that servicing a debt is consuming over 25 percent of all tax revenues, and if he is concerned, can he tell us how it can be when he pushes and other provinces push for much greater federal support in these very important areas that it can work to the long-run benefit of this nation if the Federal Government will direct more and more, or will go further and further into debt in support of these very real needs?

HON. E. KOSTYRA: Well, it's a question of priorities, Mr. Chairman. I certainly don't for a minute suggest that the Federal Government ought to increase its deficit. I think it has to deal with ways of dealing with the deficit probably just the same as we have to in this province. But I would point out to the member that they have done it in a way that hits at what I think ought to be priority areas in terms of this nation, not only of this province but of this nation, and that is health and education. That is an area that they chose that in terms of they determine the priorities, that was an area that they decided to reduce the growth of expenditures. They still had and still do have lots of money for defence spending; they still seem to be able to find money when it comes to dealing with the banks and bailing out the banks that were in difficulty. But they're saying in this area that if we have to reduce the deficit we're going to do it in the areas of health and education. I say that those are the wrong priorities.

MR. C. MANNES: Would the Minister, Mr. Chairman, not acknowledge that the Federal Government has cut every other area of spending more so than the areas of health and post-secondary education; that on average all other areas of federal expenditure have dropped to below 3 percent increase; and that on average for the next number of years that expenditures on post-secondary education and health will be in the area of 5 percent increasing cumulatively?

HON. E. KOSTYRA: If you look at Federal Government expenditures and what's happened with the Federal Government Budget, I'd like the member to point out to me areas that have had increases at levels such as 2.8 percent or 1.9 percent or 1.6 percent because those are projected increases for health and post-secondary education. Other areas of federal expenditures, and the overall Federal Budget, have increased at a higher rate than that.

What I'm saying is true, the fact that the Federal Government has said they want to deal with the deficit, and they're doing it, hitting these programs rather than other programs.

MR. C. MANNES: Mr. Chairman, the Minister's figures, and he quoted a series of them off quickly, all

between 1 percent and 2 percent, would he indicate whether that's the specific cash support or is that including cash plus tax point transfer?

HON. E. KOSTYRA: It's the cash portion because that's the only portion that has an impact on the Federal Treasury. The tax points don't. I mean his own former Minister of Finance said that when he made a presentation to the Federal Government back in May of 1981. He said that that is not having any impact, that that is provincial money. I'll repeat the words that Mr. Ransom said: "They are the full responsibility of the Provincial Government under provincial income tax legislation."

MR. C. MANNESS: Mr. Chairman, what the Minister is telling me, under the old formula, when it was guaranteed somewhere around a 7 percent increase, that that was all cash and no portion of that was tax point; that was all cash. Because if it wasn't, then what he was telling me is that before this period of time, we were receiving increases in a cash sense between 3 percent and 4 percent.

I would then ask him how come all of a sudden this has become such a large issue now? It seems to me that this government, who's been in place now for five years, would have been yelling since Day One with respect to the fact that because we've had inflation over five years of government that's been far beyond 3 percent or 4 percent — I know in the last year it has come into that basic level — but how come, all of a sudden, using his argument, that this has become such a big issue this past year?

HON. E. KOSTYRA: Again, I go back to what was said earlier in terms of this is not just a concern of this province; it's other provinces that have said the same thing with respect to what is taking place. This government has expressed its concern in the past when there were the changes that were made by the previous government that impacted negatively with respect to this formula and this transfer payment.

The impact, by these changes, are very significant. Even in other provinces, and this is taken out of the budget from the Province of Quebec, and it's interesting because the words, the cuts provided for in Bill C-96 would have a major impact on the Quebec Government's financial framework. These would result in annual losses rising from \$82 million to \$512 million by 1991.

They go on to say that this would compound the effects of the cuts imposed since 1982 in equalization and EPF. They go beyond to say that these unilateral cuts are not acceptable because of the dramatic impact that they're having on the finances in the Province of Quebec.

So it's not just this government that's saying that; it's most governments in Canada.

MR. C. MANNESS: Mr. Chairman, the Minister hasn't answered my question fully. He's indicated that I'm wrong in one respect, that it has been an ongoing concern of this government and governments across the nation. I can accept that. But he didn't refute my argument when I claimed, Mr. Chairman, that if we

never were receiving a 7 percent increase, cash transfer, that indeed it was more like 3 percent to 4 percent, because what he's saying is now we'll be between one and two cash; then, obviously, if we've come down 2 percent, then we must have been receiving previous to that three to four.

I question how the government then could accept that in any fashion at all when inflation was such a high rate, and I'd further question why all of a sudden they've made such a major issue over the past year, because I would claim that when we've gone through those high periods of inflation, that if the cash transfer portion was only between three and four, then the problem was as acute two and three years previous as it is now.

HON. E. KOSTYRA: I'll provide all the information to the member, but I find, just to pull back from some of this discussion, it feels like I'm dealing with a person that's arguing that the Federal Government has been more than fair with the province and that we should accept less. I find that troubling in some respects, but rather I had hoped there would be some support for it.

But here are the figures: 1978-79, the increase on the cash side was 20 percent, and these are approximate figures. We can calculate them out to the nearest point, if he likes. In fact, I'll give him the actual cash figures and the percentage as I see it.

It was 222.2 million in 1978-79, which was over the previous 194 million, which comes out to approximately 20 percent.

1979-80, it was 247.7, up from the 222.2 that I just mentioned, which is approximately 10 percent.

In 1981, it was 266.1 million over what I just previously said, the 247.7, which is 8 percent.

1981-82 was 293.3, from the 266.1, which is, again, approximately 10 percent.

1982-83, it was 315 million, up from 293.3, which is 7 percent.

1983-84, it was 357 million, up from 315 million, which is about 12 percent.

1984-85, it was 395.3 million, up from 357, which again is approximately 10 percent.

MR. C. MANNESS: And yet, Mr. Chairman, not knowing what inflation will be over the next five years, the Minister of Finance is able to accurately forecast that there will be a \$313 million reduction over the next five years. I somehow find that difficult to believe.

Mr. Chairman, I don't have too many more questions left within this area, but again I would like the Minister of Finance to tell me what areas of spending the Federal Government should consider and what their values would total when it looks at its whole spending agenda, such that we can find another several billion dollars to offset this. Maybe he can tell us specifically what areas of spending, federally, he would like to see cut.

HON. E. KOSTYRA: I'm not in a position to comment specifically because I don't review those budgets. I certainly would like to discuss those issues in a rational way with the Federal Government but they've not allowed provinces to get into other areas of the budget other than those that they are directly involved in.

I indicated, I believe, that these are critical and high-priority areas for the Government of Manitoba, and I

believe for Canadians, and we ought to look at other areas. I think we've shown examples in Manitoba and we've been criticized by members opposite. Even earlier today, we heard criticism of the Minister of Transportation because the Highway's budget is flat. He doesn't like that; I can tell you that. I don't like the fact that our Highways expenditures haven't increased. I think we need to do more in terms of maintaining and enhancing our highway system.

You have to make choices sometimes, difficult choices. I believe that we've shown the kind of areas that we feel have to be constrained. Many of our departments this year, as an example, were at zero percent increases or below, and I'm sure when we get into the detailed review of those Estimates, that many of his colleagues will be very critical of that fact. Even in the areas of priority, of health and education, we've still been criticized as not providing significant increases.

I think the Federal Government should look at other areas. The Federal Government should really look at a comprehensive tax reform. I'd be willing and pleased to work in a cooperative fashion with the Federal Government to deal with those things.

The member said earlier this afternoon that we were doing battle with the Federal Government and that we ought not to do that. Mr. Chairman, I would much rather cooperate, and it's interesting that we're debating these Estimates today when I've received a report, and I'm going to get a transcript of what was actually said, but one of the Federal Conservative MP's was on a radio show today where he said the Provincial Government should be shot. Now if you want to talk about doing battle, that's what Mr. Duguay said. I'll have the actual transcript for you. It was on a show.

It was an interesting show, Mr. Chairman, a show where the question was: Do you believe that Manitoba MP's are standing up for Manitoba? You know that every caller to that show said no. Every single caller to that show said no. In frustration, in the latter part of the program, this was his response to cooperative federalism.

So I've never said that and I never will say that about the Federal Government because I sincerely believe that we can work on some of these problems. But your friend is getting your broader group into some difficulty again with their statements.

I believe that we can seriously look at some of these issues. Frankly, the kind of situation we're in financially, and the demands of Canadians, because Canadians want to have the kind of health-care system we have in this country. — (Interjection) — I'm sorry, does the member from the far back right-hand corner have something to say? I'd be pleased for him to get up in his spot and ask whatever questions he wants.

Sincerely, Mr. Chairman, I believe that we ought to be dealing with some of these major problems because Canadians have stated the kind of health-care system they want and demand in this country. It's a system that is expensive and is going to grow in terms of costs if we are going to maintain it. We're going to have to look at that very closely.

It requires cooperation not only from governments but from individuals who are participants in that system, whether they be health care professionals or others working in the system or administrators because it's going to be very difficult for all of us to deal with those problems.

MR. C. MANNESS: Mr. Chairman, the Minister says that people within society have told us what their demands are with respect to health and education, and I'm well aware of it. Unfortunately, I don't often see the Minister of Finance — of course, I'm not there when he's meeting with his groups — put the question back to the groups in society as to how the Government of the Day should raise resources to pay for that because, quite obviously, I sense, particularly under political parties that have an NDP stripe would make people believe that there are ways and means, that it isn't connected to the way people work and produce in this nation, that somehow it isn't connected with the total productivity and the economic well-being of the nation; that, indeed, if the demands are there, there has to be a way, that changing around the tax system in itself will create the revenues necessary.

All I'm saying to the Minister, it isn't quite that easy. I know he knows it isn't quite that easy, but the point being, I don't know how people can jump totally on the Federal Government, and I guess I am apologizing for them in one respect because I'll read from the same document as I saw the Minister. It's called the Fiscal Plan, it was released by the Federal Minister, and there aren't many words there, but the article states, "The government has taken steps to reverse the upward trend in the federal debt to GNP ratio and to regain control over its expenditures."

Mr. Chairman, that's all that I have been asking in many cases over the last two months to this government: that they attempt to do the same thing; and then, when they begin to cry and demand that Ottawa come forward with a greater support, that they either indicate to the Federal Government how it is they should save additional monies to direct towards health and education, as they would have us do when we call for reductions in the deficit provincially, that they would do the same thing for the Federal Government that they expect from us from time to time.

That's the final comment that I have within this area. I look forward to the detailed responses and for the information that I do seek, Mr. Chairman, and hopefully the Minister and his department can provide that within the next week if possible.

HON. E. KOSTYRA: To the member, the detailed information that he requested will be available by the end of next week.

MR. CHAIRMAN: 5.(a)(1) — the Member for Inkster.

MR. D. SCOTT: Thanks, Mr. Chairman. I've been quite interested with both this afternoon, while listening to this debate, and this evening as well, the debate on the resolution this afternoon, and also this evening on the motion before the House on the Estimates in Federal-Provincial Relations.

I find it not totally surprising — I must give the Member for Morris some credit for consistency — I think he has continued to follow fairly close to a line somewhat defensive of the feds and what they are doing and realizing the financial situation that they are in.

But I think he goes a little bit too far in being apologetic for the Government of Canada, and not looking not simply at the Province of Manitoba but at

the situation the other provincial governments are in in the country as well. Over the past seven or eight years now, we've had some fairly significant changes in the evolution of the federal-provincial fiscal relationships. Their impacts have been very, very substantial on the provinces.

If one looks at the cuts of the Government of Canada thus far, in a publication put out by the Government of Quebec, the impact of the cuts in EPF payments to all the provinces together, prior to Bill C-96, it adds up to, since 1982-83 to 1986-87, approximately \$6 billion worth of expenditures have been transferred from the Government of Canada's accounts onto the provinces.

When we look at the value of those for the next five years, up to 1991-92, it gives us an additional \$9 billion, and this is before we even start talking about the impact of Bill C-96. When one includes Bill C-96, that total amount of money that's being transferred, and the burden of expenditures transferred onto the tax base, the smaller tax base of the provinces, it adds up to some \$23 billion over a 10-year period, transferred from the Government of Canada to the individual provinces. Right now it's running at the rate of about \$1.5 billion a year and it goes up to \$2 billion a year less in transfers to the provinces.

Now I can accept to some degree the Member for Morris when he talks and says that EPF payments themselves, in absolute terms, not in cost and dollars but in future dollars, actually is going to increase a small degree, they are looking at 2 percent, 2.5 percent increases over the next five years.

That, I do not believe, is going to be sufficient and is inconsistent with studies done by the Government of Canada, when looking at health costs alone, not to think of post-secondary education costs which right across the country have been held back as well. I personally don't know how much longer they're going to be able to do that and maintain the quality of education throughout the country.

Yet when the Government of Canada says that health costs alone are expected to increase 2 percent more than gross national product, and they pass a bill which says that we are only going to transfer to you GNP minus 2 percent, then we are looking at one of a couple different scenarios.

One of them could be a bottleneck in the services; the other could very well be a reduction in services. There is still another option as well as possible, but my greatest criticism of the Government of Canada is that they do not show any leadership whatsoever on how the provinces are expected, on an across-the-country basis, to modify our health delivery system so that we will maintain some degree of equality province to province in the type of services that are given.

There is no effort by the Government of Canada to show any leadership in working with provinces to try and ensure a basic consistency of services from coast to coast. They are essentially just passing the buck off to the provinces and telling us to raise more money on our own.

The Member for Morris says, well, they transferred some tax points to us, but it's our responsibility to assess those taxes onto the public. We have competition in tax rates province to province that the Government of Canada does not have, and that's one of the reasons

it's more difficult when the Government of Canada tries to transfer tax points, or whatever, to the provinces. It is not a direct transfer because there's an element of competition between the different provinces as to how much of that they can afford to transfer onto their tax load.

I didn't hear anything from any of the members opposite to talk about that and the growing inequity that grows when the Government of Canada transfers its taxing power over to the provincial levels of government. The revenue guarantee has hardly been mentioned in the debate. The revenue guarantee itself, for the Province of Manitoba, since they've been phasing out, I understand has cost us almost \$160 million in lost revenues.

The Minister of Finance gave a figure for the impact with the six and five program, or capping post secondary education, or in regard to post secondary education at least, and the capping of that, that that cost us approximately \$28 million so far as well for a total loss of almost \$190 million before C-96 comes into effect in the Province of Manitoba itself just over the last few years. That's excluding equalization.

If you look at the principle upon which equalization, and they even went so far as to put it in the Constitution, yet they have changed the formula there and they've readjusted not only the EPF, they've eliminated the revenue guarantee, they continue to bring in new tax exemptions that cost the province more and more money.

And we were dealing the other day, in a resolution just yesterday, on tax reform, and we looked at how much money tax exemptions are costing us. If I could come up with it fairly quickly, it was around \$190 million at one stage of various tax expenditures that are out there. The scientific research one alone cost the Province of Manitoba some \$30 million.

But is there any guarantee from the Government of Canada that the impact of those tax reforms that they bring in is not going to have a negative impact on the province's capacity to raise funds, to provide the services which the Government of Canada at one time agreed was a 50-50 responsibility and is now moving down to a 40-60 with 40 percent of the Federal Government and 60 percent out of the average province.

Manitoba has already reached that, and the members opposite, one thing that makes me somewhat suspect of their motives from time to time is that when they were in a government position six years ago they were receiving, from the Government of Canada, 40 percent of their revenues came from transfers from the Government of Canada.

Now, even with substantial provincial increases, the Government of Canada's assistance or transfers to the Province of Manitoba has dropped to only 35 percent, and we've raised revenues probably close to \$200 million on an annual basis. Yet still we're basically treading water, even with raising taxes to that degree, more or less treading water because of the degree of the cutbacks and the reductions of transfers from the Government of Canada.

The battle over C-96 is apparently lost. The Government of Canada passed it before adjourning. The only salvation that the provinces may have now is for that institution that we debated in the last Session

of the Legislature, the great institution of the Senate, if they are going to show whether they have any sensitivity in one of the biggest situations the provinces, or the country as a whole and the individual provinces are facing, perhaps the Senate could prove itself to be of some value by rejecting Bill C-96 and sending it back to the House of Commons where, hopefully, more common sense will prevail and the Government of Canada will look once again at what kind of a disastrous piece of legislation it's going to be for the provinces. A piece of legislation that will increase inequality between the provinces, rather than decrease it, a bill that goes exactly counter to the constitutional amendment they put in just a couple of years ago in regard to equalization of the desire of provinces across the country to offer equal services.

Mr. Chairman, I'm very I guess somewhat disillusioned, certainly disappointed at members opposite for the attitude that they have taken in these discussions, the condemnation this afternoon of a particular public servant in efforts to eliminate the valuable role that he has played in public education, in education of the members.

None of us, I didn't see any of them give anything but thanks to Tim Sale when we were in that Room 254, having basically a short seminar on the impacts of Bill C-96, nothing but praise from them there. Yet here they say because the Government of Manitoba is using its offices to assist, and understanding in the general public, municipal leaders and other people across the province, to let them know how much of an impact this very significant change in federal legislation's going to have upon us, as legislators, as municipal councillors, as people in education and health care.

For you to stand up and condemn a person that the province has hired to assist in trying to get them to understand this complex situation, when members opposite, most didn't really understand the situation until that seminar I would suggest. — (Interjection) — It was evident in the questions that came forward afterwards, just how little understanding there was and how much misinformation there had been as to what the Federal Government was actually doing, and the Leader of the Opposition constantly getting up and saying, "But the Government of Canada's given you more money," even though, in real dollar terms, the money is falling. When you take inflation out, yes, okay. Take inflation out of those figures and you'll find there's actually a reduction coming to the Province of Manitoba for post-secondary education and health costs, an actual reduction. Talk in real dollars; don't talk simply in future dollars, at future dollar values. Talk about the 1986 dollars.

Get something consistent in there. Maybe an economic class or two would help a few members, but it is a . . . The Member for Morris says think about the people who have to pay the taxes. When you have taxes that are being transferred from the Government of Canada to the provinces who have a smaller base, you get a more unfair tax system than you do when the Government of Canada legislates it and provides it, collects the taxes and distributes them on a fair basis to the provinces.

We're not asking for anything free; we're not asking something simply for Manitoba. We may have led the

battle a couple of years ago when the other provinces were not anywhere near as much in the forefront of warning, both looking themselves trying to protect their new, fresh Conservative Government, who said they wouldn't do these things when they were in Opposition.

The Member for Provencher, the Honourable Jake Epp, when he was in Opposition said that he disagreed with the cuts that the Government of Canada was imposing onto the Province of Manitoba with the equalization changes and EPF in particular. They gave the impression that when they came into office it was going to be different, but we found that it's the same drum, it's the same drummers. The only character difference is the people basically directing the drums, but there's no impact whatever.

He says even with 210 members out of about 285 municipalities and they don't have the gumption to be able to change what they said they would change previously, so where is their integrity? Where is their strength and their interest in providing good, sound government for Canadians so that we don't end up passing the buck off to the provinces?

In closing, I don't intend to prolong the debate, Mr. Chairman, and Mr. Minister, but I do think it's important for members as a whole to participate in the Estimates Review. It certainly is a slight bit disheartening when you see the situation that the province is running into, not our province alone, but all provinces, and you see the members opposite acting more and more strongly as apologists for their colleagues in Ottawa.

Thank you, Mr. Chairman.

MR. CHAIRMAN: 5.(a)(1)—pass; 5.(a)(2) Other Expenditures—pass.

5.(b)(1) Manitoba Tax Assistance Office, Salaries — the Member for Morris.

MR. C. MANNES: Mr. Chairman, I noticed this area released under Reference No. 2, Page 49 of the Supplementary Information, this Manitoba Tax Assistance Office provides information to taxpayers claiming property tax assistance and cost-of-living tax credit.

My colleague has a question specific to the change in the 1985 tax form in this tax credit area, compared to the 1984 tax form, and I think she'd like to pose it at this time.

MR. CHAIRMAN: The Member for Kirkfield Park.

MRS. G. HAMMOND: Thank you, Mr. Chairman.

I wonder if the Minister could explain the change on the Manitoba tax reduction which, in '84, was \$210 and the base amount in 1985 was \$200, which affects people who are in the low income bracket.

HON. E. KOSTYRA: It would be helpful if the member just . . .

MRS. G. HAMMOND: On the summary of tax and credits.

HON. E. KOSTYRA: You're referring to summary of tax credits and it shows the base amount \$200.00?

MRS. G. HAMMOND: In 1984, it was \$210.00. Could the Minister explain the change, the reason?

HON. E. KOSTYRA: Mr. Chairman, I would ask that the member would indulge me for a minute. We'll have that information coming down from the highest, someone else once said. Ask another question.

MRS. G. HAMMOND: I don't begin to understand the tax forms. I'll start out by saying that, but this particular change has taken \$10 right off people with the lowest income, and as you gradually move up this amount doesn't matter and that's the reason I'm interested, to find out why low income taxpayers would be hit with a \$10 reduction.

HON. E. KOSTYRA: Mr. Chairman, I'm going to try this and, seriously, I would provide the more detailed information but there is a coordination between the provincial taxes and the federal taxes. There was a change, between 1985 and 1986, in the way that the Federal Government had its base amount, and there was a reduction. The idea is that if someone in this bracket does not pay provincial tax, then they shouldn't pay federal tax and if it would stay the same way they would have paid a few dollars provincial tax. So it was to conform with the federal change.

MRS. G. HAMMOND: That wasn't too clear. All I know is that the person who this affects the most, whether it's your \$2 federal or provincial, they get a \$10 reduction, and these are the people who can least afford \$10.00. So I don't think it worked out to \$2; it works out to \$10.00.

HON. E. KOSTYRA: If the member agrees, I will take the details of that question as notice and provide a written response probably tomorrow. It is somewhat technical in terms of how it works out, but I can assure you it's to keep compatibility between the federal and provincial tax systems.

MR. CHAIRMAN: 5.(b)(1)—pass; 5.(b)(2) Manitoba Tax Assistance Office, Other Expenditures—pass.

Resolution No. 71: Resolved that there be granted to Her Majesty a sum not exceeding \$1,203,300 for Finance, Federal-Provincial Relations and Research Division, for the fiscal year ending the 31st day of March, 1987—pass.

Item No. 6.(a) Administrative Policy/Insurance and Risk Management, Salaries—pass; Item No. 6.(b) Other Expenditures—pass.

Item No. 6.(c) and 6.(d) Insurance Premiums, Less Recoverable from Other Appropriations — the Member for Morris.

MR. C. MANNES: Mr. Chairman, before we pass this, I would just ask the Minister why our insurance premiums under Other Expenditures have increased in such a significant fashion.

HON. E. KOSTYRA: Mr. Chairman, I'm told that it's part of the overall problem that is facing all purchasers of insurance that there has been that dramatic increase in rates. It has not been a result of any significant bad experiences year over year, just the general state and what's been happening in the industry.

MR. C. MANNES: Mr. Chairman, another question. Could the Minister tell me what company or group of

companies underwrites our insurance coverage in the province? Furthermore, could the Minister expand a little bit on the answer he gave to the question posed by my colleague, the Member for Pembina, when he asked specifically what is covered? Is it liability of all people who work for the government in the various departments?

HON. E. KOSTYRA: I would just ask the member to repeat his question.

But before he does that, I'm not very good at this, but I failed to introduce staff who were here previously. Just to my immediate left is Ron Neumann who is Chief Intergovernmental Analyst. The person who just joined us, and why I'm asking him to repeat his question, is Mr. Tucker who is the Director of Insurance and Risk Management for the government.

If the member doesn't mind, if he would repeat the question and then I would provide him with the detailed answer.

MR. C. MANNES: Well, Mr. Chairman, I repeat my question. I wanted to know which company or group of companies underwrites the insurance that the province carries on behalf of the employees of the government. Furthermore, can he tell me what levels of coverage are there that the government employees have or what basically is insured?

HON. E. KOSTYRA: The coverage that is provided is coverage for the government which includes its employees with respect to suits and claims made by the public. It's purchased through brokers. Johnson & Higgins is the broker in this instance, and the insurance companies are MPIC and a group of other companies.

MR. C. MANNES: Is there a listing anywhere of the claims made against either elected members or employees of the government. So that listing available for the last fiscal year, is it public information?

HON. E. KOSTYRA: I am told we have that information; we will provide it subsequently. There's about 130 claims made against the government, and in some cases the individuals are named in that. I'm also told that that's about the same level that it has been in previous years.

MR. C. MANNES: Mr. Chairman, I can think of only one case from memory where the Manitoba Milk Producers Marketing Board was suing the Department of Agriculture on some principles therein.

Can the Minister indicate whether that case has reached completion or whether it's still in the realm of investigation or negotiation?

HON. E. KOSTYRA: I am told that was not an insurable claim so any further questioning should be to, I guess, the Minister of Agriculture.

MR. C. MANNES: Well, my interest is heightened a little bit, Mr. Chairman. "Not an insurable claim" — so there are situations then where members of the Civil Service are not covered for some activities, I gather.

Are they well defined, those areas in which there is not afforded insurance through this general policy?

HON. E. KOSTYRA: As there is in any insurance coverage, there are certain exclusions. There is, however, a policy or practice that is covered, we think, by regulation where all employees, and it happens to be in the case of unionized employees also covered through their collective agreement, but it also covers employees that are not under a collective agreement, any claims by our coverage, notwithstanding any exclusions that may be part of the insurer's coverage.

MR. CHAIRMAN: 6.(c)—pass; 6.(d)—pass.

Resolution No. 72: Resolved that there be granted to Her Majesty a sum not exceeding \$927,500 for Finance, Administrative Policy/Insurance and Risk Management, for the fiscal year ending the 31st day of March, 1987—pass.

Item no. 7, Tax Credit Payments — the Member for Morris.

MR. C. MANNES: Mr. Chairman, I just would like to get a deeper understanding, given that this is an appropriation and this represents some cash payout, how the mechanism works that I, for one, who indeed, and probably everyone in this House, receives a tax credit of \$325 or some portion thereof.

How does the cash actually flow to cover my credit that I claim either at the time I pay my property tax or at the time I fill out my income tax form for the year?

HON. E. KOSTYRA: The mechanism, in terms of those that are paid or credited through the municipal tax mechanism, the municipality invoices the province for that and we pay just about on the due date for the tax which in most cases is June 30, although there are some that are in the fall in some of the rural municipalities, but it's paid on the due date of the taxes due to the municipality.

MR. C. MANNES: Mr. Chairman, the Minister is then telling me that if I look into Public Accounts and I see funds directed to each municipality that indeed a portion, or maybe all of it, will be to cover the property tax credits that accrue to that municipality.

HON. E. KOSTYRA: That would be part of whatever figure shows for that municipality. It may be a whole range of other things like tax sharing; it could be other sources of grants from other departments.

MR. C. MANNES: In the information provided, Mr. Chairman, there is a breakout of all those factors that go into making or creating the total estimated spending under tax credit payments of \$204 million. The first item deals specifically with property tax assistance, and in brackets thereunder it says it includes pensioners' school tax assistance.

I notice that the appropriation is to increase by almost \$5 million from \$162.9 million to \$167.3 million. I've asked the Minister the reason for that increase. Is it strictly to do with the fact that there are now more homes and, therefore, there is greater uptake under the 325 level, or is it more to do with the pensioners' school tax assistance?

HON. E. KOSTYRA: Yes, the member answered his own questions basically because there are obviously

some more seniors that will be claiming and there has been a move of people from multi-family rental units into homes, or has been an anticipated growth based on what we see for housing stock increase. So it's both those areas.

MR. C. MANNES: I would ask the Minister whether or not any analysis in his department has been done with respect to this tax credit program. Can he give me some idea, roughly, as to the total number of homes or properties that qualify, first of all, for property tax assistance, the global number in a Manitoba perspective; and, secondly, the number of pensioners that are receiving school tax assistance?

HON. E. KOSTYRA: I'm afraid we don't have that level of detail here. It is available and we will provide it to him subsequently if that's agreeable.

MR. C. MANNES: Well, Mr. Chairman, it's certainly agreeable. The Minister, though, did not answer the question completely. I also asked whether there has been any analysis conducted at all with respect to these areas.

I guess what I'm searching for, has the Department of Finance or has the Department of Municipal Affairs asked for further explanation or greater detail associated with these figures and, if so, can the Minister indicate what has been provided to that department and a further indication whether or not he can share that with us?

HON. E. KOSTYRA: If the member means by now detailed breakouts of how it's paid either by regions or by income classes or by farm versus urban, that kind of analysis or that kind of information, there's a lot of people in and beyond those areas that I mentioned, so that kind of analysis is done and could be available if the member wants.

MR. C. MANNES: Yes. I don't know in what form it is; I don't want anybody to go to any great painstaking operation to compile it. However, if it's simply copying what is available, I would like to see how the government handles the various classes of dealing with income and dealing with regions and dealing with a number of breakouts.

As you can see, Mr. Chairman, I have right in front of me a global figure of \$167.3 million. I can't really comprehend from where that number has come. I understand the system and the policy in place, but I would like, if possible, to receive a better understanding of the various breakouts that go into producing that number. So I would be happy to receive any information in that manner that the Minister is prepared to share.

HON. E. KOSTYRA: I can give him some general information if you would be interested. In terms of the components that go into this, the estimation of the breakout is as follows: \$81.5 million, which is the income tax portion of the 1985 property tax credit; \$75.2 million, which is the resident homeowner tax assistance portion of the 1986 property tax credit — that's the amount provided to the municipalities for this year's taxes; the other obviously is claimed on last

year's tax which is filed in this fiscal year or the money flows in this fiscal year — \$9.1 million for the pensioners school tax assistance, 1986 homeowners; and \$1.5 million pensioners school tax assistance, 1985 tenants.

In terms of the other information, there are two ways we could deal with his request. One is to provide him with, in essence, a computer printout which has all this information, which is not easily read, or if there were some specific areas that he would want to provide to me tonight or at a subsequent occasion in terms of the kind of information he wants, we could have it put together.

The general analysis is a large computer run which the member is aware those things are not easy to spend time working through, but if he has some specific areas he is interested in information, if he wants to give them to me tonight or subsequently, I will provide it to him.

MR. C. MANNES: Mr. Chairman, I don't need an awful lot more information. I suppose I wouldn't mind knowing, as I asked previously, the number of homes that correspond to the 75.2 million. I wouldn't mind knowing the number of pensioners who receive the school tax assistance under both the homeowner 1986 category and the 1985 tenant category.

I guess I would like a further explanation of the first item, the 81.5 income tax portion of the property tax assistance. This represents the portion that's deducted during the filing of one's tax form.

And I guess I would then ask whether or not there is any regional breakout of these numbers, urban, rural, farm, other, an additional breakout with respect to the categories that are presently listed on the property tax statement. I think there are three or four, or maybe there are more, but the ones I usually deal with are the residential, farm and other, I guess representing business. Again, just some basic numbers associated with those and that certainly will suffice at this time.

HON. E. KOSTYRA: We'll review those specific areas that you mentioned when we get the Hansard and provide the information.

Another thing, they all pertain to residential, obviously, in terms of the credits, but I think the other information is readily available and we'll pull it together for him.

MR. C. MANNES: The cost of living tax credit, Mr. Chairman, is shown as increasing somewhat over the 34.3 million appropriation for '85-86. Again, maybe the Minister can provide the number of tax filers who are claiming this credit.

Similarly, the political contributions tax credit, there seems to be a figure for '85-86 that may or may not be rounded. Can the Minister tell us, now that this is prepared, whether the 400,000 was basically an estimate? Has it proven correct, and has it allowed a proper forecast for the '86-87 year of some 800,000, given that we now know that the election's been held and that there obviously would be increased activity within this area, particularly for the NDP? They've got all the big givers, all the corporations.

HON. E. KOSTYRA: Since the member took in his final comments a little bit of a shot, I'll also remind the member that I believe the only party that hasn't filed

its statement for the previous year was the **Conservative Party** when it was last recorded.

A MEMBER: There was nothing to file; nobody gave us anything.

HON. E. KOSTYRA: I don't think that's quite true.

We don't have that information in terms of the last quarter other than the overall and the total for this whole area, but I presume we can get that information quite easily and provide it to the member.

MR. C. MANNES: Mr. Chairman, I would ask the Minister of Finance whether the government is contemplating at this time at all any changes with respect to the property tax credit level. Is the government actively considering a policy change within this area?

HON. E. KOSTYRA: As I said before, we are looking at a comprehensive review of taxes and, by implication, tax expenditures and tax credits. So, insofar as we are reviewing the whole area, then this will be part of that review that I spoke of some days ago.

MR. C. MANNES: Mr. Chairman, you were probably in the House the other day when we were debating the resolution brought forward by the Member for Kildonan. That resolution dealt with the unwieldiness of the tax form.

I followed him, Mr. Chairman, in debate and pointed out that much of the unwieldiness is caused by Governments of the Day wanting to introduce an element of progressiveness into the tax forms to help those that are economically disadvantaged.

I honestly believe the cost of living tax credit, Mr. Chairman, as I try and fill my tax form out, and although in my position I'm not eligible for that tax credit, I still, every year, every time I file, I try to go through it and I try to calculate it. I can tell you, it is one of the most difficult areas within the whole tax form to complete.

I would ask the Minister whether or not he would agree with me that in many cases the attempt to help has really forced and brought into being a tax system and a tax schedule, one that is really difficult to complete. I therefore ask him if there might not be a better way of introducing a tax credit, a cost-of-living tax credit system? Furthermore, is his department at all trying to work out a system that's easier to understand and obviously easier to complete for the tax filer?

HON. E. KOSTYRA: I guess the simple answer is yes. If there was a way of simplifying it, then we would certainly look at it and, to the extent there are discussions on simplifying the tax forms generally, then hopefully that could fit into it.

Part of the difficulty, though, as the member knows, in terms of the way you have to calculate that, if you want to have a system that has some basis related to income, you have to go through some of those calculations; otherwise you would get the easy way. We'd have a flat tax credit system that would be the same for everyone.

But given that it is based on some income sensitivity, then you have to go through some of those calculations

in order to do that. It could be very simple by just saying everybody gets, as you do with respect to the base property tax, but when you want to deal with providing additional assistance for those in lower income brackets, you have to have some mechanism to calculate that other than just a simple flat system.

MR. C. MANNES: Would the Minister not agree, then, that the very attempt to introduce income-sensitive taxation and policies in itself makes the tax form unwieldy, unclear and, in many cases, unfathomed to a large majority of our population? Would he not also agree that who it works against in the greatest fashion are those who might like to save a few dollars and therefore do their own tax form?

I think he has to agree with me, but I would question then how he could sit back and listen to his own member bring forward a resolution condemning the unwieldiness of the form and yet be unprepared to back away from the progressive nature which I know they embrace so dearly.

HON. E. KOSTYRA: The member has focussed his attention on, I guess, one part of the form, and I guess there's so much else to the form that if you're looking at a major overhaul of the form to simplify it, then obviously this is one area that could be looked at.

I think the main thrust is to provide some assistance for those in lower income classes with respect to property taxation. Obviously, if there was a way of simplifying all of the forms, because this is just one schedule to what is already a rather cumbersome and complicated form, then I would support what the member is saying. But I don't think you could look at one part of it without looking at all parts of it.

MR. CHAIRMAN: 7.—pass.

Resolution No. 73: Resolved that there be granted to Her Majesty a sum not exceeding \$204 million for Finance, Tax Credit Payments, for the fiscal year ending the 31st day of March, 1987—pass.

Item No. 8, Local Government General Support Grant — the Member for Morris.

MR. C. MANNES: Mr. Chairman, I'd ask the Minister to explain specifically the meaning of this particular grant. Is it a rebate on the payroll tax and, if not, what does it propose to do?

HON. E. KOSTYRA: It's not a rebate, or at least I wouldn't describe it as a rebate, but it fulfilled a budget commitment at a time when the additional taxation in the form of the health and post secondary education levy was put in place. It fulfilled the budget commitment that no local governments would have to raise taxes as a result of that levy.

MR. C. MANNES: Last year, the then Minister of Finance indicated the factor at work against the previous year's payroll was 1.55. Has that factor changed at all?

HON. E. KOSTYRA: It's being used again this year.

MR. CHAIRMAN: The Member for Brandon West.

MR. J. McCRAE: Mr. Chairman, I've always wondered why it is that the cities and towns receive this local government general support grant; why it is the Provincial Government, in all the Estimates, shows levies for this payroll tax, health and education tax, and then turns around and gives it back by way of a grant. Why is this?

HON. E. KOSTYRA: I guess the member didn't hear the answer that I gave to the Member for Morris. There was a budget commitment at the time when the health and post education levy was put in place to ensure that no local government would have to raise local taxes as a result of the levy. So there was the support grant put in place to provide for a grant that would ensure that there would be no increase in local taxation as a result of the levy when it was put in place in 1983.

MR. J. McCRAE: Mr. Chairman, why not exempt them and save yourself the trouble of granting it back?

HON. E. KOSTYRA: I can't give the specific answer, but as I recall the discussion at the time, some of the thinking was that if exemption was given for one level of government then exemption would have to be given for other levels of government.

This tax was put in place in part because of concerns at that time with respect to the then Federal Government's reduction in the area of health and education. It was felt that the Federal Government ought to be paying this tax and there is no such support grant for the Federal Government in this regard.

MR. J. McCRAE: The Federal Government should pay it, but not other levels. Why?

HON. E. KOSTYRA: Well, the fact is that local governments do pay it, and there is a grant support to ensure that there is no increase in local taxation as a result of that. It was a decision with respect to not penalizing local governments with respect to the imposition of that tax.

MR. J. McCRAE: Mr. Chairman, why don't we just have the courage of our convictions and say we're going to tax the Federal Government employees and the Federal Government for their employees, but we're not going to tax the cities and the school boards? The non-profit charitable organizations, some of which may not receive grants from this government, have to pay this tax. Churches have to pay this tax. Why are there different rules for different levels and different groups?

HON. E. KOSTYRA: Again, I would just really repeat the answer I already gave to the member. I don't have any other explanation for him in regard to why it was done this way.

MR. J. McCRAE: Would the Minister not be interested in finding out and maybe correcting the situation if he doesn't understand why it's that way?

HON. E. KOSTYRA: I didn't say I didn't understand why it was that way. I said I don't have any other explanation other than the one that I gave the member as to the reason that it was done in this fashion.

Thursday, 10 July, 1986

MR. C. MANNES: Mr. Chairman, just a final question. Is the Federal Government still paying the payroll tax today on behalf of all their Federal Government employees situated in the Province of Manitoba?

HON. E. KOSTYRA: All Manitoba employers, other than those that are exempt as a result of the changes that were made two Budgets ago with respect to small business payrolls of less than 50 or between 50 and 100, all other Manitoba employers, including the Federal Government, are paying it.

MR. CHAIRMAN: Item No. 8.—pass.

Resolution No. 74: Resolved that there be granted to Her Majesty a sum not exceeding \$13,800,000 for Finance, Local Government General Support Grant, for the fiscal year ending the 31st day of March, 1987—pass.

Item No. 9. is Statutory Spending, so there's no resolution; Item No. 10., Statutory Spending, no resolution.

Back to the Minister's Salary, Budget Item No. 1.(a).

MR. C. MANNES: Committee rise.

A MEMBER: Pass.

MR. CHAIRMAN: 1.(a), is it passed? We need to go back to the Minister's Salary.

MR. C. MANNES: What do you mean? We've missed out two of the most important parts.

MR. CHAIRMAN: The most important parts?

HON. E. KOSTYRA: Mr. Chairman, if I could just clarify for the member, the last two items are not voted resolutions, as I understand it. So then we revert to the Minister's Salary.

If the member wishes to ask some questions with respect to public debt and hydro rate stabilization, I would be willing to revert back and just stay at Resolution 74 while the staff are still here and respond to any questions.

MR. C. MANNES: Mr. Chairman, that's the problem, you see, when you discard your main Estimates and you work out of the supplementary information which shows the two items. No. 9. is current debt, and although, as the Minister says, there is probably no resolution number across from it, we would like to move into a pretty detailed discussion the next time we sit within the area of Public Debt and also the Hydro Rate Stabilization area.

Now I have no specific questions tonight, and so if we are to do it under the Minister's Salary, that's fine.

MR. CHAIRMAN: The Minister's Salary is an open item.

MR. C. MANNES: Well, if that's the only open item, fine. I can't anticipate at this time whether or not there will be detailed questions requiring the assistance of staff or not. But if we're down to the Minister's Salary, so be it.

MR. CHAIRMAN: We can still ask some . . .
The Minister of Finance.

HON. E. KOSTYRA: Mr. Chairman, I would, by leave, agree that Resolution 73 is still before us, which would allow for staff to still be here. I would then be prepared to entertain detailed questions on those next two areas under Resolution 73.

So I would move, seconded by the Member for Morris, that leave be granted to allow Resolution 73 to remain on the floor.

MR. CHAIRMAN: No, no, not 73.

HON. E. KOSTYRA: Is it 73? 74?

MR. CHAIRMAN: By leave, is it agreed that questions can still be asked on Item No. 9. and No. 10, even if it involves no resolution, and hold on there until we reach the Minister's Salary?

The Honourable House Leader.

HON. J. COWAN: Mr. Chairman, seeking some advice from you and the Clerk, perhaps it would be better to have leave to have the staff be here for the first part of the discussion under the Minister's Salary at which time the detailed questions can be asked. That way, we don't have to undo a vote which we had already taken. Then, when we get into the general discussion of the Minister's Salary, staff could leave if that would be agreeable.

MR. CHAIRMAN: So the understanding is that as to the first part of the specific questions on the Minister's Salary, the staff will be allowed to stay by leave of the House. Thereafter, when we go to general questions, then the staff will leave. Is that agreed? Agreed.

Committee rise.

IN SESSION

MR. DEPUTY SPEAKER, C. Santos: Is there a motion for adjournment?

HON. E. KOSTYRA: I move, seconded by the Member for Morris, that the House do now adjourn.

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