

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

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Eighth Legislature**

<b>Member</b>	<b>Constituency</b>	<b>Political Affiliation</b>
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ALTEMEYER, Rob	Wolseley	N.D.P.
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TAILLIEU, Mavis	Morris	P.C.
WOWCHUK, Rosann, Hon.	Swan River	N.D.P.

## LEGISLATIVE ASSEMBLY OF MANITOBA

Friday, April 15, 2005

**The House met at 10 a.m.**

**ORDERS OF THE DAY**

**GOVERNMENT BUSINESS**

**COMMITTEE OF SUPPLY  
(Concurrent Sections)**

**FAMILY SERVICES AND HOUSING**

\* (10:10)

**Madam Chairperson (Bonnie Korzeniowski):** Good morning. Will the Committee of Supply please come to order.

At yesterday's meeting, it was agreed to discuss this department in a global manner. The minister has a statement she would like to make before we open for questions.

**Hon. Christine Melnick (Minister of Family Services and Housing):** Madam Chair, I would just like to get back to the committee on some questions that were raised yesterday. The first pertains to B & L Homes. There was a question from the member from River Heights, I believe, as to when B & L Homes was started. B & L Homes for children started in 1975 as one of the first providers of residential group home care in the province by a private citizen.

There were some questions around monies provided for B & L Homes. In the year 2003-2004, there was a total of 3,346,300 provided to B & L Homes. In 2004-2005, which was the year that we began to bring in emergency foster beds, there was a total of 3,662,900 provided. Estimates for this year of 2005-2006, where we have 50 functioning emergency foster beds, there is an estimate of 4,872,200. So that is the first piece of information.

Moving to another area that was inquired about yesterday, I believe, by the member from Morris, there were questions as to the number of residents in Hydra House last year as compared to this year. We took July 2004 as a representative time frame, and I will read the comparisons today, April 2005.

When we look at July 2004, adult residents in Hydra House homes, we have 43 in July 2004, and 37 in April 2005. When we look at children in Hydra House homes, for July 2004 there are 24, and in April 2005 there are 19. The total residents in Hydra House homes for July 2004 were 67, and in April 2005, 56.

If we look at the foster program, which are individuals residing in private homes not in Hydra House homes, for July 2004, in the adult category we have 9, and in the children's category we have 12, for a total of 21. If we look at April 2005, in the adult category we have 5, and in the children's category for foster homes we have 10. So that is a total of 15.

If we do grand totals of adults in Hydra House residences as well as in foster care for July 2004, we have 52. The total for children in residents and foster care homes, we have 36, which is a total of 88 for July 2004. Compared with April 2005, for total adults we have 42 in both Hydra House homes and foster placements. For children in Hydra House homes and foster placements we have 29, for a total of 71.

**Mr. Ralph Eichler (Lakeside):** Madam Chairman, good morning everyone. I would like to start off my comments by just clearing the air a little bit and thanking the staff for the hard work that they do.

When we are asking questions, I am sure you have been around the table long enough to know that these questions are not directed individually at you, it is at the government. You are only doing your job. So we are just coming after the minister and trying to make her accountable. Of course, it rolls downhill to you, but anyway, having said that, we will move on.

The thing that concerns me—[interjection] You want to go on staff?

Yesterday, you talked about Hydra House and the St. Amant Centre. Does the minister have any indication on how big she wants these support groups to get before there is a magic cut off? When you look at the numbers that are in Hydra House and in the St. Amant Centre, is there a manageable level that you feel, or your staff feels, where it is not going

to be workable anymore with the amalgamation, the way you are talking about?

**Ms. Melnick:** Certainly, under the current circumstances with Hydra House and the Level 5 care that is needed, we needed to go with an organization that would be able to provide the services needed. Now, I understand your question and certainly under a different circumstance, where there was not the need to disengage as quickly as we could, we might have looked at a broader spectrum, but the situation such as it is meant that we had to move in a way that we could ensure that the care would be there.

St. Amant Centre is an organization of long standing. It is an organization that has cared for people like this in the past and currently is caring for people with these needs now. It is an organization that also has a community living component, but also a firm backup in an institutional setting so that there is expertise necessary to deal with what we believe might be literally any sort of situation that would develop with the residents that are currently in Hydra House.

Certainly, respecting your question and knowing your concerns there, we felt because of the nature of the transfer, we would be going with an organization that we felt would be able to provide all services under any conditions.

**Mr. Eichler:** I visited, actually, both facilities and I think that the St. Amant Centre is doing a fantastic job. There is not an issue with that.

My concern is, basically, the size of the operation and whether or not they are going to be able to handle it in an efficient manner and cost-efficient manner. The last thing we need is government, and the people with disabilities is to not to have their voices heard and their concerns heard, and the bigger we get, sometimes, that happens.

Having said that, does the minister or her department have some type of criteria or other organizations that she is working with in order to try and develop new centres and new models of which these people can be referred to?

**Ms. Melnick:** Well, right now we are working very much with the existing community. The existing community works very well together. So, when there

are new intakes needed, we certainly, right now, are working within what exists in the community throughout Manitoba. At this point, there are no plans, if this is your question, if I have understood your question, to develop any further organizations.

**Mr. Eichler:** As an MLA from rural Manitoba, I find that not acceptable because we are finding in rural Manitoba that the families are having to take their loved ones out of the area. It is an area where they feel safe; it is an area where they feel comfortable, an area of where they can relate to people in their own community, and to be forced to move to Winnipeg for placement, and that is where the bulk of the residences are being developed. It creates a hardship, not only on the individual, but also on the families.

I would like to know the minister's, or her staff's plans on developing those rural areas in particular, rather than just those in rural Manitoba.

**Ms. Melnick:** Well, certainly, I am very interested in what you have said. Perhaps we can chat a little bit later about some of the concerns that some of your constituents are sharing with you and we could look to see if we could meet those needs.

**Mr. Eichler:** Thank you, we look forward to that, which leads me to my next question.

The \$70 per month that is allocated for transportation is all right in the city. Perhaps it would buy you a bus pass. Unfortunately, I do not ride the bus and I do not know what it costs, but in rural Manitoba, at the price of fuel and trying to participate in some of these programs that are available, has the department looked at ways of trying to increase that funding?

\* (10:20)

**Ms. Melnick:** Certainly, I would like to thank you and other members from rural areas for bringing this to my attention. Indeed, this year we do have in our Estimates an increase. I am just waiting for the ADM who would be responsible for that to bring the information forward, so I will just keep talking as she works her way from the back of the room to the front of the room. Could you walk a little faster? We will get that for you.

In answer to the member's question, in this year's Estimates we have an incremental funding of

\$181,000, for an increase to the mileage rate from 13 cents per kilometre to 20 cents per kilometre, effective April 1, 2005, for non-departmental staff travel in Employment and Income Assistance Programs.

**Mr. Eichler:** That is for doctor appointments and that type of thing, but that does not cover off recreation. When I was talking about the \$70 per month, that is for recreation and other services, is that not correct?

**Ms. Melnick:** Yes, the member is correct that the \$70 has remained stable. The increase that we are talking about here is for medical and health-related appointments.

**Mr. Eichler:** When is the last time the \$70 was looked at, and how long has it been at \$70? Are there any plans to increase the \$70 per month that is being allocated at this point in time?

**Ms. Melnick:** We do not have the exact date that you are requesting, but we can look for that. The reason that we focussed on the health appointments is that we heard from the Manitoba Coalition of Service Providers that there was a lot of concern around this area and the area of volunteers providing transportation on the basis of health needs. That is what we focussed on, but that does not mean that we cannot look at recreation in the future.

**Mr. Eichler:** The member from Burrows yesterday gave me a really good education. As opposition, we really do not have the opportunity to have a lot of input but we can ask a lot of questions. The member suggested that perhaps I do more of that. So that is why I am bringing this to your attention, so that you in government can make those intelligent decisions and look at the \$70. We certainly have recommendations that you could bring forward.

The \$70, I think, has been, obviously, if you cannot find it, in effect for quite some time. I would suggest that the price of fuel, the price of vehicles, the price of wear and tear, we know as MLAs and government officials that even the 20 cents for doctor's appointments is ridiculous. I have said that last year during our Estimates process, and you agreed with me at that point according to Hansard—another thing, the member from Burrows reminded me to do my homework, so I did and ran these off. He is a great tutor.

The other thing is that with the cutbacks and the holding of these limited expenses for recreation make it so hard on these clients throughout rural Manitoba, particularly, and it is still hard even for those in the city to get around. Going from rural area to rural area where they do not have some of these services I would recommend the minister and her staff have a good long, hard look at it.

This moves me into the next area I would like to go into. I apologize for the staff having to bounce around, but it has to do with the psychiatric services that we talked about yesterday. I would like to have the minister clarify for me. Yesterday, you said there were 10 people that provided these services within the province, five of which—*[interjection]*

Yes. I am sorry.

There were 10, 5 of which were in the city, and 5 outside the city, which included Brandon, Portage and rural Manitoba. My concern there is that we had Les Riehl, who retired last year within the Interlake region. Now, if there are services required, which we know there are, Doctor Hardy, who is the provincial psychologist, is available once a month for those people in care or need of those services. Can the minister talk a little bit about where she sees this as priority, and where the government is going to be going with this position?

**Ms. Melnick:** Just to clarify, as far as the questions go, I think you are doing just fine. Is your last question yesterday when I spoke about behavioural therapists? The question was how many there are. That is where the answer of five in Winnipeg and five in rural Manitoba go but, just to clarify, your question now is on clinical psychologists?

**An Honourable Member:** Correct.

**Ms. Melnick:** Well, certainly, there would be no surprise to the member that it can be very hard to recruit professionals, particularly to rural areas. We are seeing this not only in the area that the member is asking about, but in other areas as well. We have been recruiting psychologists to work in the area of behavioural specialists. There have been some difficulties in that so what we have looked at is contracting with private sector individuals to provide services in rural areas. In particular, Dauphin was an area that we felt this was the way to go so we did that. Certainly, there are difficulties in bringing

people to rural areas, and we are trying a couple of different models to try to get the services available.

\* (10:30)

**Mr. Eichler:** I guess since Doctor Wand has left the province for British Columbia, the psychiatric services that we have had, the waiting list is quite long because we do not have qualified people within the province. Is the department looking at ways to try to entice more people to stay within the province, to try and get those services a little more easily accessible to people of Winnipeg and also for rural Manitoba?

*Mr. Harry Schellenberg, Acting Chairperson, in the Chair*

**Ms. Melnick:** Certainly, when Doctor Wand left, that did leave a gap because that was a doctor that was prepared to work with our clients on a more or less full-time basis. Other psychiatrists are willing to work on a part-time basis, so that has created a challenge for us. We are working through the WRHA to try to provide those services but, certainly, there are challenges in getting the degree of services needed for our clients. Yes, we are certainly open to looking for models that may be successful in meeting the needs of our clients.

**Mr. Eichler:** With the increase in the stress in your department, I would suggest that we move on this fairly quickly. This concern that is out there in the health place is that the doctors that are prescribing medication to those people with disabilities are not meeting the need because they are not trained in that field. We had a situation in Gimli that was brought to my attention where the individual had been prescribed medication that put him in a wheelchair, and also brought neurological problems with him. Then he went off his medication, and then the RCMP got involved. So, without the resources there, it puts a tremendous strain on the other departments. I think you need to talk to your other ministers and try to get them onside, try and get some type of a program that is set up that will work. The doctors that I have talked to, I sit on the local board there on our foundation; I talk to the doctors quite regularly. They feel that they are just kind of pushed into having to prescribe medication.

Yesterday, you even went on record of saying that the client that we talked about, with Jackie,

needed more medication. Who is prescribing that medication, and is it the right medication for the illness that is prescribed? That is where the question comes in. We cannot drug these people and just put them off into somewhere to be forgotten about, because the next thing you know the MDC, which you are talking about, causes more stress on that as well. So it is so important that the department gets this particular area up and running and so efficient that it does not cause stress on the other areas.

**Ms. Melnick:** I would like to correct the record. I never said that prescribing more medication would be anything that would be a remedy for any individual. That certainly was not my comment. Where I am not a professional psychiatrist, a medical doctor, et cetera, I would never make a comment like that because it would not be in my area of expertise.

Certainly, we are aware that there has been a shortage of medical personnel. I know that has been a focus for our government. I believe that there have been upwards of 109 doctors that have been recruited into the province of Manitoba. I am probably misspeaking the numbers that I have heard from the Minister of Health (Mr. Sale). We have increased the number of spaces in the medical school at the University of Manitoba, I believe, by 15 a year since 1999. We are very aware that we need to continue our efforts. I believe the past Minister of Health and the current Minister of Health have made this a priority and will continue to make this a priority, not only for the areas of Winnipeg, but throughout the province of Manitoba as well.

Another area that we have focussed on is the development of medical facilities such as the new hospital in Brandon, and medical equipment such as MRIs that have gone outside of the perimeter for the first time in the history of Manitoba. I believe that this is a government that is very concerned about the issues that you have raised and will continue to work to make medical services better for all Manitobans.

**Mr. Eichler:** Thank you for the history lesson. I realize that the department is increasing the doctors by 15 and you hired 109. That does little to go when we are talking about psychiatrists. That is a different area entirely than what you are talking about. Having said that, I just want to correct you on that.

The other thing is the Coalition for Service Providers is an issue that the people that need those

services, and rural Manitoba in particular, with the wages that the Province has allocated is finding it very hard to find male workers at the wages that are currently being paid. It does not seem to make any difference whether or not you have the Red River course that has been established to try and help, but it seems to me that there seems to be kind of a revisit when it comes to those people who are providing the services. Whether or not they have training, they have to meet the criteria through the RCMP checks and that type of thing, but it really does not go far enough to try and address the needs of the clients out there when it comes to meeting the needs with either male or female and also qualified people.

**Ms. Melnick:** Just on the question of doctors, my understanding is that psychiatrists are, in fact, medical doctors with specialization. That could, in fact, go some distance in providing more psychiatrists to the province.

On the issue raised, I am not sure of the question on male workers. Maybe the member wants to speak further on that, but what I can speak to is the staffing stabilization initiative which was brought in, in 2001-2002, 2002-2003 and 2003-2004. That is an hourly wage raise of from approximately \$8.10 to \$10.50 an hour. In the first two years, we focussed on wages. On the third year, we focussed on pensions and benefits. For a lot of these folks, it is the first time that they have had any pensions and benefits in the workplace. Certainly, an increase from \$8.10 to \$10.50 an hour is an increase. I do not believe there have been increases previously or a real attempt to increase wages then. Is there more to do? Yes, but we also hear that this certainly has helped, and has been effective in retaining trained staff.

\* (10:40)

**Mrs. Mavis Taillieu (Morris):** Just before we start, I also would like to reiterate the comments from my colleague and thank the minister's staff for all the hard work that they do and thank them all for being here.

Having said that, I do have a staff question. The deputy minister, Mr. Sussman, is formerly from the Department of Health. I believe he was seconded to the Department of Health from the Winnipeg Regional Health Authority and now he is the Deputy Minister for Family Services. I am wondering if his

salary is paid still. Is he still on secondment from the Winnipeg Regional Health Authority?

**Ms. Melnick:** Yes, he is.

**Mrs. Taillieu:** I thank the minister for the numbers on Hydra House relating to July of 2004, but you did indicate yesterday that there had been a cutoff on intake as of July 6, 2004. I had actually asked for a comparison at this time last year, which would have been April of 2004. I am not going to belabour the point at the moment, but I wonder if the minister could provide me with those numbers in a letter.

**Ms. Melnick:** Yes, we can do that.

**Mrs. Taillieu:** How many people are presently working in the Office of the Vulnerable Persons?

**Ms. Melnick:** Currently, there are four.

**Mrs. Taillieu:** That appears to be one less than last year. Is this a permanent reduction in that department?

**Ms. Melnick:** That position was vacant, and it was reduced through the vacancy reduction initiative that we have.

**Mrs. Taillieu:** Just for clarification, does that mean it is a staffperson, it is a position that has been permanently cut?

**Ms. Melnick:** It is a position, but not a staffperson as it had been vacant.

**Mrs. Taillieu:** Has the position been advertised, and is there intention to fill it?

**Ms. Melnick:** Not at this time.

**Mrs. Taillieu:** When will the position be posted and filled?

**Ms. Melnick:** The position has, in fact, been eliminated, so it will not be posted.

**Mrs. Taillieu:** In regard to Hydra House, has there been any attempt to recover monies lost to Hydra House executives since the scandal broke in May of 2000?

**Ms. Melnick:** In May of 2000? Are you talking about July when the AG's report came out on July 6?

**Mrs. Taillieu:** What attempt has been made by the department to recover the money lost from Hydra House?

**Ms. Melnick:** On July 6, I announced a five-point plan, one of which was an attempt to follow legal means to recover the funds. I think it may not be appropriate at this point to discuss cost recoveries. We are still in negotiations at this time.

**Mrs. Taillieu:** Can the minister say who she is negotiating with to recover the money?

**Ms. Melnick:** As I stated yesterday, there is a complex set of negotiations going on between St. Amant Centre and Hydra House.

**Mrs. Taillieu:** My understanding is that there is over a million and a half dollars that has been unaccounted for since the Auditor General's Report came out. I am simply asking if there has been an attempt to recover that money from Hydra House owners, executives.

**Ms. Melnick:** Certainly, as I had stated on July 6, attempts would be made to recover those monies.

**Mrs. Taillieu:** The minister stated that there would be attempts. I am simply asking at what stage the negotiations are now.

**Ms. Melnick:** As I mentioned, there is a complex set of negotiations under way. I think it would not be appropriate to discuss those negotiations at this time.

**Mrs. Taillieu:** Can the minister say whether there were letters received in the department as early as April or May of 2000 alleging mismanagement and nepotism at Hydra House?

**Ms. Melnick:** There were letters received around the concerns of a respite program that had been newly implemented. The department realized they had to further develop policies, to tighten up policies around this program. That is what the department did. They then communicated with both the individual who had raised the concerns and Hydra House as to what the concerns were and the actions that were taken.

**Mrs. Taillieu:** Is the minister saying then that there were no allegations regarding mismanagement and nepotism at Hydra House in early April or May of 2000?

**Ms. Melnick:** Again, there were concerns around a newly implemented respite program and the department took the action around the tightening of policies that they felt appropriate. That information was communicated to both parties.

**Mrs. Taillieu:** When the Auditor General asks for the letters and the subsequent report that was issued from the Department of Family Services, will she provide, when the Auditor General asks her for that information, all of the information, the letters back and forth and the report that was filed in May of 2000? Will she agree to provide that to the Auditor General?

**Ms. Melnick:** Any information that is requested from the Auditor General will certainly be provided. This is a legislated requirement, but it is one that the department fully and openly complies with. The Auditor is fully aware of our openness to provide any information on any issue that he may be requesting.

**Mrs. Taillieu:** Recently, when there were letters surfaced from the former minister as early as April and May of 2000, the Auditor General was unaware of these letters so they were not provided to him, but I am happy that the minister is going to be doing that.

I would like to continue with some questions in regard to foster care. Can the minister tell me, what are the standards for licensing for a foster care facility or home?

\*(10:50)

**Ms. Melnick:** In response to the question from the member of Morris, there is actually quite an involved process around the screening and the monitoring of foster parents.

Licensing requirements for foster parent applicants are set out in the Foster Homes Licensing Regulation. These requirements stipulate that the applicant provide and the agency consider, first of all, an initial applicant from a foster parent. There is a criminal record check. There is a child abuse registry check for the applicant and any other adult

residing with the applicant. There is a prior contact check for the applicant and any other adult residing with the applicant, a reference from a medical practitioner or a health care provider. There are references from four persons or recommendation from the local child care committee of an agency concerning the applicant's ability to protect, nurture and care for a child, and such other information or additional documentation that the licensing CFS agency considers necessary.

The degree to which alternative caregivers such as respite workers or support workers are also screened, depending upon whether care is provided in the foster home, the amount of the time the caregiver spends with the child, the age of the caregiver, and whether the caregiver is known to the foster parent. So that is just upon application.

When a child has been placed in a foster home, there is a social worker assigned to every child in a foster care placement. There is contact between the social worker and the child every two weeks, and once a month there is an actual face-to-face discussion. Often the social worker will pick the child up and, maybe, take them to McDonald's or something like that so that the child can feel quite comfortable in chatting.

On the other side of the coin, there is a different social worker who would be assigned to monitor the foster parents, and contact between those two groups or individuals would happen on a monthly basis.

I could go into regulations for all child care facilities which foster parents would fall under, if the member would like.

**Mrs. Taillieu:** Maybe you could table that.

**Ms. Melnick:** We will get that prepared.

**Mrs. Taillieu:** Will all the licensing standards for foster care throughout the province, once devolution completes, will these be the same for all the foster families in homes?

**Ms. Melnick:** Yes, the Province will continue to set a minimum standard. Again, if those standards are exceeded then that would be the choice of the caregiver.

**Mrs. Taillieu:** What is the procedure within the Department of Family Services if a child dies in foster care?

**Ms. Melnick:** This is the process that would be gone through that certainly involves more than the department. Did you want the department specific or did you want the overall process?

**Mrs. Taillieu:** Well, I think I would just be asking what the department does. I know that there is a police investigation, medical examiner and that, but I am wondering, when the department learns of a child that has died under the care of Child and Family Services, what is the first thing that happens. What is the procedure?

**Ms. Melnick:** I am going to have to bring in some of the process of other agencies and organizations as well, because this works with responses from other organizations. Upon the death of a child in care, the agency, who had been responsible for that care, must advise the department on the day of the death or the next working day. They then have 24 hours to put together detail about the incident. That incident is then delivered to the department of the director of Child Protection under the standard 182. The department will then get a review from the agency, so it is dependent on the review from the agency. They will determine whether there will be a broader review under section 4 of The Child and Family Services Act.

**Mrs. Taillieu:** Is the process different if the child dies after having been released from the care of Child and Family Services, but within a year of that release?

**Ms. Melnick:** If the child has been out of care within the last year, the difference in the process would be that we are often not made aware of the death or the detail provided by the agency until, perhaps, a later time.

\* (11:00)

**Mrs. Taillieu:** If there is a death in a foster home, is the licence suspended immediately?

**Ms. Melnick:** No, there is not an automatic suspension.

**Mrs. Taillieu:** If a child dies in a foster home, what is the procedure then? Do they just, you know, place another child in the home?

**Ms. Melnick:** The agency would do the review, determine if there are risks. Certainly, if there are apparent immediate risks, then children could be taken. That does not necessarily mean that a licence would be revoked. It is a very individual system based on the surrounding circumstances of any given case.

**Mrs. Taillieu:** Who would determine, go in and say, you know, well, is it a police investigation that would maybe determine that there was—would the department wait for the police to say there has been a death here and maybe you should investigate the home?

**Ms. Melnick:** Certainly, we would not wait for a report from police. The social workers who are doing the reviews are very experienced. They would go in, and if there were any concerns at all, children would be removed.

**Mrs. Taillieu:** Would the licence be revoked?

**Ms. Melnick:** Again, it would be case specific. So, if there were concerns that led the social workers who are doing the review to believe that a licence would be revoked, then, yes, it would. Again, we would have to deal with this on an individual basis.

**Mrs. Taillieu:** If the medical examiner investigated and found there was negligence in the home, when would the licence be revoked?

**Ms. Melnick:** Recommendations from the CME are taken very seriously and that is part of a larger process that I was referring to earlier, a review by the agency, the police review. If need be, the authority may do a review and, certainly, the director of Child Protection in a situation where there was determined to be the need for a section 4 review.

There are a lot of elements that come into play here, one of which would be recommendations from the CME to determine whether or not children would be removed. On top of that, if there is need for supports within the foster home, that too would be part of the review done to determine how the department would be viewing the situation in a foster home in any given case.

**Mrs. Taillieu:** Madam Minister, the recommendations from the Medical Examiner, should he be having the terrible task of looking at a child that died in foster care, that report and those recommendations could take a couple of years. Are you saying then that you would not act until you got the Medical Examiner's report? I asked you about revoking the licence for the foster home in which there was determined to be negligence by the Medical Examiner. Now, would you wait on this until you received the report?

**Ms. Melnick:** That is why, in response to the questions from the member from Morris, I am talking in the broader perspective of the overall process that would happen. Certainly, the decisions made by the CME to determine whatever he felt he needed to determine as his steps would be taken into consideration, but we have also talked about the 24-hour report from the agency. We have talked about any police reports. We have talked about any reports from the authority. We have talked about reviews by the department. That is why we have to, in any given incident, look at the overall process and make decisions based on the overall process and not just one review from any given player in this.

**Mrs. Taillieu:** I am not asking about anything specific. I am asking about the policies in regard to licensing of a foster care home or facility when a death occurs there, and it is deemed that there might be negligence by the Medical Examiner. Now, certainly, the minister is not answering the question here. I have asked her twice. Now, again, it appears to me that there is no policy to revoke the licence to the foster home if a death occurs there, even if there is negligence. So, I am assuming then, the department would just place another child there without investigating the licensing.

**Ms. Melnick:** Again, we have to talk about the process as a whole where there would be a report within 24 hours. There would a review done by the department, by the agency. The first concern is risk to children. I had stated a few moments earlier that the social workers would go in and immediately assess the risk to children. If it is determined that there is high risk, the children must be removed and that would happen.

These other processes, the member is right, the process the CME might go through might take more time. It certainly tends to take more time as he does

very thorough reviews and assessments. That is one part of the overall review. His recommendations are taken very seriously, as are the recommendations and the results of the reviews from other stakeholders, the other players in the overall review process.

\* (11:10)

**Mrs. Taillieu:** Can the minister provide me with the statistics of how many children in care, under the care of Family Services, have died in the years 2000, 2001, 2002, 2003, 2004 and, to date, 2005?

**Ms. Melnick:** We are looking for the numbers, but I would like to point out the process that the member is asking about has not changed since 1999. It is a process that has been established and it is one that the department is still continuing to work under, with the exception that we now have the four authorities.

**Mrs. Taillieu:** Well, I did not mean to make the minister on the defensive. I was simply asking for some numbers. Is she going to provide those numbers?

**Ms. Melnick:** We are looking for those numbers, and we will provide them to you as soon as possible.

**Mrs. Taillieu:** Can you provide those to me for the record?

**Ms. Melnick:** Sure.

**Mrs. Taillieu:** I was asking if you could provide these to me for the record.

**Ms. Melnick:** Yes, we will get them for you as soon as possible. They are also available through the CME's annual report which is released through Justice.

**Mrs. Taillieu:** Thanks. If a foster home has experienced a death and an investigation is done, is there a time period to do that investigation? How soon would an investigation be completed to the satisfaction of the department, that they would actually allow another placement of a child in that home?

**Ms. Melnick:** The assessment around the safety of children is done immediately by the social workers who go in. If they go in and determine there is risk

right away and it is best to remove any other children, they will do that immediately.

**Mrs. Taillieu:** If they determine there is risk and they remove children, how soon would they replace those children back in the home? Would they place other children in the home, and in what period of time?

**Ms. Melnick:** Well, again, we would have to deal with an individual basis. There would be, certainly, a review done as to what the risk would be, whether the risk still existed.

We cannot give any definite time lines because we have to allow for the review to happen, but children who are determined to be at risk are removed immediately. There is not any waiting for the completion of the review.

As to whether or not children would be placed in the home again if they had been removed, that would be a process that would have to be very carefully gone through. In the case where it is determined children could be safely placed back in the home, there would be a determination as to whether or not supports would be needed in that particular instance, or whether supports were not felt to be necessary.

**Mrs. Taillieu:** This is done all on an individual, subjective basis?

**Ms. Melnick:** Well, again, we have to recognize that the social workers who do this work on behalf of the department are professionals. They have a lot of experience. Again, I will go back to the broader process of the agency report within 24 hours, the agency review, perhaps an authority review, perhaps a departmental review, a CME review, perhaps a police investigation.

Again, we have to talk in broad terms and recognize that each case would be individual, and so there would be determinations made on the basis of each individual situation.

**Mrs. Taillieu:** Have any children died while in emergency shelters in the last year?

**Ms. Melnick:** Certainly, we will check that and get the information for you as soon as possible.

**Mrs. Taillieu:** Will that be before 12:30?

**Ms. Melnick:** As soon as possible.

**Mrs. Taillieu:** What is the number of caseloads per social worker at the present time?

**Ms. Melnick:** The caseload would depend on the type of case that the individual would be working on. If we look at workers who are specializing in temporary wards so individuals who may have recently come under care may not be staying in care for long periods of time, there would be a range of about 20 to 25 at any given time. For longer-term placements, the average would be about 35.

**Mrs. Taillieu:** How many foster children can be placed in one foster home?

**Ms. Melnick:** That would depend on how the home was assessed. It would depend, for example, if it was a home that was set up for siblings. We have made the policy to keep siblings together, and there are some foster homes that are for siblings. It would depend on what the facility was recognized to be appropriate for.

\* (11:20)

**Mrs. Taillieu:** Is there a total number of children that would be allowed in a home? For example, if the foster family had their own biological children and were taking in foster children, is there a maximum number of children that could be in the home, and is there an age level that they would have to fall within?

**Ms. Melnick:** Well, I have not been advised as to any maximum. There is an individual assessment done on each home, and it takes into account those children who are part of the family as well as any foster children. So assessments are based on the capacity for the number of children, whether they be from the birth family or whether they be foster.

**Mrs. Taillieu:** Is there no age—I do not like to use the word restriction, but would there be allowed to be five children under the age of five or is there, you know, maybe five children but two under the age of five and three, like is there some age guideline there?

**Ms. Melnick:** Again, that would be part of the placement. We would always be looking toward a blend. Another part of the assessment would be physical capacity. When we are looking at blending

genders, that would be in regard to a sibling group coming into care.

**Mrs. Taillieu:** Well, I just find the lack of guidelines here a little bit disturbing. When this government brought in changes to The Adoption Act, they said that, you know, talking about adopting children, "There would have to be a minimum of one year between placements in the best interests of the child," they claim," so there is some kind of guideline around adoption of children that they would have to be one year apart." So, certainly, there must be some kind of guideline as to the number of kids you would take into foster care.

**Ms. Melnick:** Again, we can talk about the assessment that is done. Perhaps I will go into the ongoing monitoring of any placements.

Regulation requires that all child care facilities develop and keep current a written statement of policies and procedures for the child care facility which, at a minimum, would include the goals and objectives of the program provided by the licensee, the organizational structure, program financial and personnel administration, management and supervision, if there were employees or volunteers. This would be all child care facilities. Admission and discharge criteria; planning, monitoring and evaluation of care provided to residents; maintenance of records referred to in some previous sections, which I can go into if the member would like; health services and education available to residents; supervision of residents while being transported; maintaining security; encouraging residents to participate in community activities and, where appropriate, for involving parents in the program; managing behaviour and maintaining discipline; complaints by residents of the use of isolation pursuant to section 32 and, again, I can go into detail on that if the member wishes; emergency procedures as required under section 35, and that is another area I can go into more detail if the member wishes; the handling of allegations of abuse by employees or volunteers.

So the licensee shall keep a copy of these policies and procedures in the child care facility and shall make them accessible to employees and volunteers and, upon request, to placing agencies or the organization or jurisdiction that placed the child and the parents and the guardians of residents.

So, again, I would go back to the initial assessment, the initial screening which I referred to some moments ago, and the ongoing monitoring.

**Mrs. Taillieu:** At present, we know that the number of kids in hotels is quite high, goes up and down, but the average has been fairly high. Once the devolution occurs and we have the southern Aboriginal authority, the northern Aboriginal authority, the Métis authority and the general authority, will each authority be asked to provide statistics on the number of children that they will be housing in hotels?

**Ms. Melnick:** On the number of children in hotels, we are very concerned about the situation and, in fact, have created about 70 emergency foster placements over the last number of months. As a result, the hotel numbers have decreased substantially. We are still working on this issue and are working towards the development of further emergency placements as has been recommended through the shelter report by the Children's Advocate. We thank her for that work and certainly receive those recommendations as very appropriate and have been taking action on that.

In regard to the four authorities, we would have the same criteria for children being placed as we have now, which is to work toward emergency placements as opposed to the placements of hotels. Again, the spike in the children in hotels was a result of our policy last May where we determined that children being brought into care can be quite upset. It can be quite a traumatic experience. We determined that keeping siblings together would be an appropriate way to help children. So, a lot of our emergency foster beds are, in fact, sibling placements where we can be sure to keep children together in a homelike setting.

Also, in regard to the shelter report from the Children's Advocate, she was quite strong on her recommendation that children under the age of eight should not be placed in a hotel setting upon apprehension. Again, we agreed with that and have also focussed a lot of our emergency placements to be accommodation for children under eight, whether they be part of a sibling group or not.

**Mrs. Taillieu:** Can the minister tell me how many children are presently being housed in hotels in the month of April?

**Ms. Melnick:** I believe the average for the month of April was approximately 27.

**Mrs. Taillieu:** And the highest number?

**Ms. Melnick:** I believe it was 31.

\* (11:30)

**Mrs. Taillieu:** Just to go back to my original question, will all the authorities be required to submit the number of children in hotels?

**Ms. Melnick:** Under The Child and Family Services Act, the Director of Child Protection, who is within the department, under Section 4, can require the reporting from all four authorities, and they would then have to be reporting.

**Mrs. Taillieu:** Thank you for that. I understand there is a \$1.12 per diem, per child, that is held back for children in foster care for such occasions as birthdays, Christmas and special occasions. This is just money that is held in reserve, I guess. There have been some concerns expressed to me by some of the foster families that it is very discretionary as to whether they can access this money or not. I am wondering if the minister can tell me why this money is held back specifically, and is it at the discretion of the social worker that it be given out to the family.

**Ms. Melnick:** Our understanding is that this is dealt with at an agency level, that an agency would determine their policies, guidelines. The spirit of this is to keep some money for, as the member stated, sort of special occasions so that if there is a trip being planned, if there is a purchase such as a bicycle for a child, those monies would be held, I suppose, in a form of trust, we could say. Then, they would be available at the time of a special event or a special purchase.

**Mrs. Taillieu:** This is agency determined. Now, just let me understand this. This would be money that the foster families would be receiving from the agencies and, ultimately, from the Department of Family Services, ultimately from the government, ultimately from the taxpayers of Manitoba. But you are telling me that the agency, then, has the right to determine—so there could be various policies across the province as where this money goes?

**Ms. Melnick:** The amounts paid to foster parents on a daily basis are distributed to the agency under which the foster parent is contracting. The amount given is broken out into how the monies should be allotted. The total amount goes to the agency, and the agency will determine whether or not they will hold

back that money for events and purchases such as we have just been discussing, or whether it will go to the foster parents without being withheld. The department provides the monies to the agency in whole, and the agency determines the disbursement.

**Mrs. Taillieu:** With the various agencies, is there any accountability structure to determine: (a) if the money goes to the family; (b) if the money is held back; and (c) if the money is not given out to either one of those?

**Ms. Melnick:** Yes, there would be an audited function there to determine where the monies are going.

**Mrs. Taillieu:** Thank you.

**Ms. Melnick:** I just wanted to complete that with saying that the disbursement of money and where those monies should be going is very clear to the department and, I believe, to the agency.

**Mrs. Taillieu:** In 2000, the Awasis Agency determined that a 15-year-old girl was delivered back into her home situation and, subsequent to that, she unfortunately died by her own hand. After that, recommendations came forward from Judge Mary Curtis. That is five years ago now. I am wondering if these recommendations have been acted on, implemented.

*Madam Chairperson in the Chair*

**Ms. Melnick:** The inquest that the member is referring to was actually completed in 2004 and was released this year. The majority of them were recommendations toward Health Canada and INAC around training and around provision of services. So, to find out what actions have been taken in that regard, I would have to direct her to those two federal departments.

I met with Awasis just this week, as well as with the northern authority. Awasis has released a press release saying that they have worked on many of those recommendations, have met the recommendations, in some areas have exceeded them. There were virtually no recommendations that came forward toward the Department of Family Services, but I can tell you that there has been a working group on suicide prevention that has been struck some time ago, post-1999, between the Province and the federal

government. We recognize that suicide, primarily around the people of the First Nations, primarily around the youth of First Nations, is quite a serious situation, not only in Manitoba, but across Canada.

\* (11:40)

We are working with our federal counterparts in many ways to work on lowering the suicide rate and, I think that, as we read through the recommendations in this particular inquest, we recognized that these issues are very broad, they cut across all jurisdictions, that they cut across all services provided by provinces, as well as services that are provided by other agencies, and that we are really going to have to work together to help to, not only stave this trend, but also to turn this trend around.

**Mrs. Taillieu:** It was stated by the Auditor General that this particular agency, Awasis, did not cooperate, was not forthcoming with documents surrounding this case which I was just speaking about. We also know that the Auditor General's Report and his recommendations may also take some time, but the recommendations can be requested before the report is finished by the department so that they can look at the recommendations and not wait for the final report to come out.

I am wondering if that was done, because as we have seen, there has been another horrible tragedy with this same agency. I am wondering, first of all, the recommendations from the Auditor General's Report, has the department requested those recommendations or have they received them?

**Ms. Melnick:** I believe it was the Chief Medical Examiner who commented on files from the Awasis agency. The department is aware of the concerns in the sharing of information between the Awasis agency and the Chief Medical Examiner, and we are very willing to play a role, perhaps an intermediary role, in having the files move between the two.

I am not sure what report it is that the member is referring to when she is talking about the AG. Perhaps she could extrapolate on that.

**Mrs. Taillieu:** I was under the understanding that the Auditor General was investigating that.

**Ms. Melnick:** That is certainly not our understanding.

**Mrs. Taillieu:** I am quite concerned when the minister says, "Act as an intermediary." When an agency of the government, of Child and Family Services is requested for information, and the department is going to act as an intermediary, I would think that the government has responsibility to ensure any agency that is funded by this department would, indeed, provide all the information requested, and at the time it was requested. Would that not be a function of this minister and her department?

**Ms. Melnick:** The request for the information comes under the Fatality Inquiries Act which is under Justice under the CME, and that is where the requests are coming from.

I think that we have to be cognizant of the concerns that the Awasis agency has. Their concern is that some of the recommendations that come out would be very difficult to meet under the current situation that is being experienced in many Northern communities, and most definitely on reserve. Their concern is that while they would, I believe, like to meet these recommendations, the current situation when we talk about housing, when we talk about health care, when we talk about education, when we talk about the provision of staples, when we talk about various other elements on First Nations communities, the difficulties experienced by the people on reserve day in and day out do not always lend themselves to being able to implement recommendations that are made through the CME or through other organizations.

I think that we have to be cognizant of that and recognize that Awasis does work under incredibly difficult situations that I really feel sometimes people living in Winnipeg are not aware of. I am not criticizing the CME in any way. I just think there is a certain reality in the North and there is a certain reality for the people of the First Nations that makes it difficult to implement these recommendations. My understanding is that is the concern that the Awasis people are encouraging those who would make recommendations to come into the communities and see the realities of those communities.

When I talk about the department acting as an intermediary, yes, we are a funder, but we are not a decision maker within those agencies. My meeting was also with Grand Chief Garrioch and Diane Kematch of the northern authority. It was a very positive meeting. It was a meeting that was very

focussed on continuing to work together in the best interest of the children. The department will, indeed, work with the northern authority and the grand chief and with Awasis.

We are encouraging people to allow the information to flow, being sensitive to their positions in the flow of information. Certainly, we are hoping that we will be able to come to a positive resolution that the department is very willing to play a role in.

**Mrs. Taillieu:** Does the minister have no authority to request that any agency that it funds comply with any independent office such as the Auditor General, the Medical Examiner, the Children's Advocate when they may be investigating? Does the minister have the authority? Will she use that authority to request that agencies comply when asked for information from independent offices?

**Ms. Melnick:** I think we have to clarify that Awasis has stated that they will make the information available. Their concern again is that the people who will be making recommendations would see the reality of the day-to-day life of the population that Awasis is working with.

When we talk about the authority, we have the power under the director of Child Protection under section 4 to get the information and, if needed, we could use that. There are also legislative authorities. What we are talking about here, as far as I understand, is the request for information from the chief medical examiner who has the legislative authority under The Fatality Inquiries Act. That would be an area he could move forward on if he felt he needed to. To my knowledge that path has not been taken by him. I think it is very important that the department respect the position of the CME, respect the position of Awasis Agency, and try to work towards a solution that people can agree on that would allow for the information to flow.

\* (11:50)

**Mrs. Taillieu:** If there was an investigation performed by the Auditor General in which he needed to get information from a certain agency and the agency was not cooperating, would the minister have the authority, and would she use the authority to request the agency, which is funded by her department and ultimately by the people of

Manitoba, to comply with the Auditor General's request?

**Ms. Melnick:** The Auditor General has the legislated authority to do that. Certainly, if a similar situation arose, he would know that he would have the legislated authority to get the information. Again, if there was a way that the department could play an intermediary role that would ease the situation, we would be interested in exploring any way that we could help.

**Mrs. Taillieu:** I would like to ask a few questions on the establishment of the First Nation-run agency, OCN, which is, effectively, its own family services agency, effective April 18. I would like to explore what the funding agreement here is with the Province and with the Department of Indian Affairs federally. How does this work? How will this OCN agency be funded? How much provincial money and federal money?

**Ms. Melnick:** The OCN agency that the member is referring to would fall under the northern authority. When we talk about funding for agencies such as this, traditionally and historically the federal government has provided, through INAC, Indian and Northern Affairs Canada, money for the on-reserve services. Now, the OCN agency will have province-wide jurisdiction. There is a discussion going on now as to what the provincial funding will look like. There will be a transferring of cases yet to be determined. This is still being worked out between Cree Nation and the OCN agency. So, until that has been determined, we will not be determining a level of funding, but the level of funding will flow from the department and through the northern authority to that agency.

**Mrs. Taillieu:** I am not quite clear exactly what the minister is trying to say. She is saying that traditionally the agencies in the north falling under INAC have been funded by the federal government, and now it seems this department is going to be funded by the provincial government. Can you just clarify that? Who is funding this?

**Ms. Melnick:** OCN is an agency, not a department, so let us kind of go over it again. When there are services that are provided through a First Nations agency to on-reserve people, historically the federal government has provided the monies for services on reserve through INAC, Indian and Northern Affairs

Canada. Now, when the devolution was proclaimed, funding flows from the department to the four authorities, which we have talked about. The OCN agency will fall under the jurisdiction of the northern authority.

Funding for agencies is based on cases. It is case-specific funding. Currently, OCN is going through a transfer of cases from Cree Nation into OCN. Some of those will be on-reserve cases; some of those will be off reserve, but until the number of cases off reserve is determined, the funding will not be established, and it will, in fact, be the northern authority and not Family Services and Housing who will be funding the OCN agency, which would be the same with any agency that would fall under their jurisdiction.

**Mrs. Taillieu:** Okay. So, with OCN, did you say that they would also have jurisdiction over children that would be off reserve, and those would be funded by provincial? Now supposing there is foster care involved and foster placements on the reserve, but it is a child from off the reserve, how does that work?

**Ms. Melnick:** Funding follows the child in terms of on or off reserve so the focus would be, in your example, the child being off reserve would be funded provincially. Of course, the other side of that is if it is an on-reserve child who is being fostered in a home off reserve, it would be the feds funding in that example.

**Mrs. Taillieu:** This agency, OCN, then, who does this agency answer to, the provincial government, which would be the Department of Family Services, or the federal government INAC?

**Ms. Melnick:** For any cases off reserve it would be under the jurisdiction of the northern authority. For cases that are on reserve, I believe it would be INAC.

**Mrs. Taillieu:** I would just like to quote from a newspaper article, "Now the mandate is given by OCN, not the province." It is curious, because we have an agency within the province that will have some provincial money for some of its people in care, but on reserve it is quite muddy, I think. It seems the agency feels they have the mandate here. Who has the real authority here? Is it the agency, the Province or the federal government?

\* (12:00)

**Ms. Melnick:** I am not sure of the quote that the member has referred to, but if the member's question is in terms of standards that would be determined by the Province of Manitoba for child care, some of the standards I had read previously. So the children in care would be, in the case of OCN, the northern authority would be who they would be reporting to. Certainly, it is the Province who would establish standards, if that is an answer to your question.

**Mrs. Taillieu:** It is still quite muddy the way there are different jurisdictions here. It sort of makes it unclear as to actually who has authority and who is going to set policy and the rules, so to speak.

Just as a point here, it says in this article, again, Kematch—I think that means Diane Kematch. It just says "Kematch aptly explained the intention when she said it is their belief the children should be at home with relatives in their community. They have a vision all children will be at home. There will be no need for a Child and Family Services agency."

I would like to know if that fits with the philosophy of this minister.

**Ms. Melnick:** Well, I have not read the article in its entirety. What I would comment on is one of the areas that we have moved into is a step up in what is called kinship care. That could be on reserve, off reserve. It could be a First Nations child, a Métis child, a child under the general authority, neither First Nations nor Métis.

What we are believing is that when a child is taken into care, it could be, of course, quite traumatic, quite concerning. If a child is placed within the home of a relative, someone who knows the child, someone whom the child knows, that may help to lower the child's concern and anxiety.

Also, we understand this is a model that is preferred by the Aboriginal people of Manitoba, as opposed to having placements in foreign homes. Certainly, the history of taking children, putting them into care, has been taking them out of their culture, out of their community, out of their language, out of their support base, and putting them into homes that are confusing to them, that have a whole other culture, a whole other community, a whole other history. This really speaks to the heart of the devolution of child welfare, where this is a government who has respected the recommendations of the

Aboriginal Justice Inquiry Child Welfare Initiative, and has said, "Yes, in the best interests of the children, we believe that culturally appropriate care is the way to go, not only to respect the children but to respect the cultures in Manitoba."

I would agree with what I understand the quote from Diane Kematch to be, which is hoping that one day we will, in fact, have a society where children do not have to be taken out of their homes, where we have a society where children will be living in safety and security in those homes, because that would mean that everyone then would be living that way. So that would really be something that is worthwhile to work toward and hopefully attain.

**Mrs. Taillieu:** Well, I thank the minister for the sermon. However, I think that we are probably a long way away from having no need to protect the children in our province. There are children that, when they are actually removed from a home, they are removed from a home for a reason, whether that be an Aboriginal home, a Métis home, any culture. It is not the culture. It is the fact that the child was removed from the home for a reason.

Now, would it be the policy, then, the vision to think that—and I am the first person to say that children belong with their families in their homes, but once there is a reason to have taken the child from the home, is it in the best interests to return the child to that home when there was a reason for removing the child from that home?

The whole idea of Child and Family Services is protection of children when they have been abused, however that may have occurred, and it would be a wonderful place if we did not have a need for Child and Family Services. The reality is that we do need to protect the most vulnerable, the little children, in our society and to just say that we will just put them back in their homes, I think, is very short-sighted. I am wondering is this going to be the policy of this department, that agencies will return the children to their homes.

**Ms. Melnick:** Certainly, when a child is taken out of the home, there is a desire that the difficulties experienced in that home, which led to the children being removed, can be dealt with in a way so that there is a better situation in that home for all the members, for the children, for the parents, et cetera.

We would hope that when a child is taken out of a home, the child could be safely placed back in their birth home. Sometimes that works out in a short period of time. Other times it can take a longer period of time and, sometimes, unfortunately, it is not possible. The aim of Family Services, which is why we call it Family Services, is that we can help families to become happy, healthy and well-functioning places for everyone to be.

\* (12:10)

**Mrs. Taillieu:** How many culturally appropriate foster homes are there in the North?

**Ms. Melnick:** When we talk about culturally appropriate, that may be First Nations, that may be Métis, that may be—I will use the example because my name is Melnick, Ukrainian. So, when we talk about culturally appropriate, we believe that in the North there is quite a high percentage. We do not have those exact numbers but, again, one of the aims set out by the devolution of child welfare is to provide culturally appropriate settings for all children whatever their cultural background would be.

**Mrs. Taillieu:** How many Aboriginal foster homes are there in the North?

**Ms. Melnick:** We do not have that number.

**Mrs. Taillieu:** You mean there are none?

**Ms. Melnick:** We do not have that number. What we do have, if we talk in terms of the city of Winnipeg, 55 percent of the Aboriginal children in care are in culturally appropriate homes. I believe the number for the North would be substantially higher. The total percentage, I believe, would be substantially higher and certainly would be moving even higher.

**Mrs. Taillieu:** I know that the minister may believe, but I am not asking for her beliefs. I am asking for actual numbers. So I am wondering if you could provide that information.

**Ms. Melnick:** We could undertake to provide that.

**Mrs. Taillieu:** The Community Support branches, I notice in the Estimates book there is one less than last year. Could you explain that?

**Ms. Melnick:** That was a reduction that was achieved through attrition and was part of the central

vacancy retraction. The duties have been reassigned to current staff.

**Mrs. Taillieu:** Due to the devolution process, will there be any community based programs that are closed or any offices that are closed or staff moved out of areas?

**Ms. Melnick:** I hope I have understood the member's question so I will give the answer that I believe she is looking for. If there is more clarification needed just let me know.

There are no plans to close offices as a result of the devolution. Now there are private agencies such as central and western central, which will probably become known as a central Manitoba Child and Family Services, who will be evaluating on the basis of where the work is to determine where they need to be and what sort of organization they need to meet the needs of those they are serving.

These agencies will report to an individual authority. Perhaps I could use as an example central Manitoba Child and Family Services who reports to the general authority. Decisions would be made on the basis of where the work is, what the work is and the agencies would evaluate on that basis.

**Mrs. Taillieu:** Well, the minister thinks she knows the answer I am looking for. I am actually looking for an answer to my questions and a specific answer to my specific questions is what I am asking. Anyway, I am running out of time here, so I would like to just branch into a few other areas.

Can the minister please tell me the funding that the Aiyawin Corporation has received for 2005-2006?

**Ms. Melnick:** We are just having the appropriate staff come up. Where we are currently in the fiscal year 2005-2006, I believe the request was for the total. We do not know what this year will show, but what I could give the member for March 31, 2004, the total was 1,848,000.

\* (12:20)

**Mrs. Taillieu:** When we were in government, we had a zero tolerance regarding criminal activity for members or people that were living within a Manitoba Housing unit, be that a home that was

either owned by the government or funded through an agency of the government. What is the policy of this government regarding any criminal activity or gang affiliation for people that reside in Manitoba Housing? Would they be allowed to live in Manitoba Housing?

**Ms. Melnick:** Certainly, I have been advised that there have not been any policy changes.

**Mrs. Taillieu:** I would have to believe, then, that if someone living in Manitoba Housing was involved in criminal activity or was a gang member, they would not be allowed to remain there.

**Ms. Melnick:** There is a process through the Residential Tenancy B—RTB. Sorry. I use so many acronyms, I sometimes call myself CM. The Residential Tenancies Board, where, if there are concerns of any kind, be it criminal activity, be it noise disturbance, be it not complying with whatever the rules and regulations of a Manitoba Housing unit would be, that process would have to be followed.

**Mrs. Taillieu:** I was specifically relating to the tenants themselves, not whether there was criminal activity in the building, but if the tenant himself or herself was known to be involved in criminal activity, or was known to be a member of one of the gangs, so many gangs we have here, would they be allowed to remain in Manitoba Housing?

**Ms. Melnick:** Again, there would be a process that would be gone through that would determine whether or not an eviction would be appropriate. Then there is, of course, a process for eviction.

**Mrs. Taillieu:** What is the waiting list to get into a Manitoba Housing unit?

**Ms. Melnick:** We would break down the waiting list into two major categories. The first would be Winnipeg. This could be single individuals or various family units. The total number would be 3685. If we look in rural, again, it could be individuals or family units, 992, and that would be spread throughout Manitoba, the area outside of Winnipeg.

**Mrs. Taillieu:** Can the minister tell me who the new board members are at Osborne House?

**Ms. Melnick:** Again, we are just waiting for staff to come up. We do not have the actual list here, but we can certainly supply it for the member.

**Mrs. Taillieu:** The previous board at Osborne House projected a deficit and alerted the Family Violence Prevention Program in early 2004. What was that projected deficit?

**Ms. Melnick:** We received different numbers at different times. The range was generally between \$50,000 and \$100,000.

**Mrs. Taillieu:** I believe that the Family Violence Prevention Program has funding of some \$10 million, and Osborne House being the largest women's shelter in the province, would it not be reasonable to think that they would have been given whatever it was that they needed in their deficit to continue their level of services?

**Ms. Melnick:** Well, I think we ran into quite a complex situation with Osborne House. I do not think there is a quick and easy answer there.

**Mrs. Taillieu:** I think one of the problems expressed was concern over the amount of time that women and their children spent at Osborne House. What is the level of next-stage housing available for these women and their children if they come into a shelter such as Osborne House, and they stay there for an interim time? Then they need to be found a place to go after that. Where do they presently go? I guess I would ask what is the reason they stay there so long. There is nowhere for them to go. Is there a plan to have more housing available for them?

**Ms. Melnick:** I think when we are discussing Hydra House it is very important to recognize, pardon me, Osborne House, it is important to recognize that certainly there was a willingness to work with the board. There were numerous discussions and meetings. Unfortunately, the board chose to resign. They chose to resign in a rather swift manner. The agency then was put in a position to choose a new board. Certainly, I have confidence in the new board. I believe that they are moving forward, and I believe that their focus is on the well-being and the well-functioning of Osborne House.

When we talk about funding for the Family Violence Prevention Program, the member is right. Funding now exceeds \$10 million. That is an

increase of 51 percent since 1999. Encapsulated in that is a 41% increase to shelters. I think what the member is asking about is second-stage housing. When you talk about next-housing, it is second-stage housing. Is that what you are referring to?

**Madam Chairperson:** The hour being 12:30 p.m., committee rise.

## FINANCE

\* (10:00)

**Mr. Chairperson (Conrad Santos):** Will the Committee of Supply come to order please. This section of the Committee of Supply has been dealing with the Estimates of the Department of Finance. Would the minister's staff please enter the Chamber.

We are on page 34 of the Estimates book, initially under global discussion.

**Mr. Gerald Hawranik (Lac du Bonnet):** I will be starting off momentarily, I think, basically where we left off yesterday. I will still be talking about the '03-04 Auditor's Report, but before I do that, I know the minister gave me a copy of a page, Financial Review and Statistic B1 yesterday. There is a chart on there which indicated the projected general purpose debt and pension obligations and how his plan to provide funds for the pension obligations as opposed to the general purpose debt, or shifting of funds from one to the other, how that was a benefit.

I guess the question I have at this point, in any event, is that I asked the minister yesterday for an analysis of how putting money into the pension obligation would be more beneficial than putting it against general purpose debt. I am not sure whether the minister believes this is the analysis. I would hope not. I would think there probably is a proper analysis done. If that is the case, would he confirm that, in fact, there is a detailed analysis, a study that was done to determine whether or not to put the funds under the pension obligations or not, and if he could confirm that he does have an analysis more than this page and that he can provide it to me?

**Hon. Greg Selinger (Minister of Finance):** Yes, the member has asked if there is further detail in support of the plan that was put in place to deal with both the pension liability and the general purpose debt. The

answer is yes, and I will provide him that information.

**Mr. Hawranik:** I take it that the minister has a great deal of respect for the Auditor General being an independent officer of the Legislature. With respect to the books, I would suspect he probably has respect for his office and for his opinions.

**Mr. Selinger:** I am assuming that is a rhetorical question?

**An Honourable Member:** Yes, it is.

**Mr. Selinger:** I acknowledge the question is rhetorical.

**Mr. Hawranik:** I ask the minister again about deletion of the word "fairly" from the Auditor's Report of '03-04. I think you pointed out yesterday that there was a deletion of the word "fairly" from the opinion of the Auditor in the 1998-99 Auditor's Report, I believe. I ask the minister whether he is concerned about the deletion of the word "fairly" from the Auditor's Report in '03-04 when he describes the operating fund financial statements.

**Mr. Selinger:** If I understand the question correctly, he is asking me, "Why, after the '99-2000 Public Accounts, the word 'fairly' appeared in the statements, whereas it was specifically excluded from the statement in '99-2000." Is that the question the member is asking me?

**Mr. Hawranik:** Not exactly. I am wondering whether or not the minister is concerned about the deletion of the word "fairly" from the '03-04 report. Is he truly concerned about that? Does he have any plans with respect to ensuring the word "fairly" appears in subsequent reports?

**Mr. Selinger:** I thank the member for that. I was concerned about it when I first saw it in '99-2000 and we took measures to address the concerns raised at that time. I was also concerned when I saw it not being there in '03-04, which is why we announced measures to address the concerns that were raised in the '03-04 report.

**Mr. Hawranik:** With respect to the '98-99 Auditor General's Report, was the word "fairly" deleted from the Auditor's opinion that was attached to the financial statements?

**Mr. Selinger:** The quote I have from the *Free Press* of October 2, 1998, indicates in a paragraph, and I do not have the direct report here for '97-98, do we? No, but the quote indicates that Mr. Singleton removed the word "fairly" from his approval of the '97-98 Public Accounts to say that the accounts merely reflect the position of the Province's finances.

\* (10:10)

**Mr. Hawranik:** Well, that newspaper report simply states that he removed the word "fairly" from his approval of the statements. It does not necessarily mean he has deleted the word "fairly" from his opinion, which in this case, is the '03-04 Auditor's report. In his opinion, he has deleted the word "fairly", and I think that might be a bit of difference. I just throw that out for the minister.

**Mr. Selinger:** I note the member likes dealing in semantics and that is fine. My understanding is that in '97-98, the word "fairly" was not used because the Auditor was concerned about the operating funds statements not reflecting the broader entity of government activity, and leaving out certain kinds of information. He had specific concerns related to that which we addressed in our first year in office.

The word "fairly" after that did appear in the financial statements or the Public Accounts until '03-04, when the Auditor again became concerned that, even though they were now called special operating statements, they were getting more emphasis than the summary statements in the way the government provided information to the public. Therefore, he removed the word "fairly" again.

That is my understanding of the development of this issue of whether "fairly" is in or out of the statements. It had not been used and explained why it had not been used up until, it was not used in the Auditor's report of March 31, 2000, with explanation which I provided yesterday. It was not used in the '03-04 report because the Auditor General believes that summary financial statements should be the primary reporting vehicle of government.

**Mr. Hawranik:** You stated the word "fairly" was removed from the '03-04 Auditor's Report. I believe it was removed due to two factors, one of which was that the unfunded pension liability was not recorded correctly, or was it due to the fact that you emphasized the operating fund financial statements

versus the summary financial statements. I wonder if the minister could clarify that for me.

**Mr. Selinger:** As I understand it, the Auditor General did not like balanced budget legislation and the reporting requirements under balanced budget legislation because it excluded certain types of information in the broader government reporting entity, including the growth in the pension liability.

In '03-04, my understanding is he primarily was concerned about the lack of reporting on the broader summary budget basis, which includes the pension liability. The primary focus of his criticism was to move away from balanced budget legislation operating statement reporting as the primary vehicle to a summary budget treatment of the government's budgets, broadly, as he would prefer that they become the primary reporting vehicle.

That is, as I understand it, the essence of his criticism. Within that are issues like the pension liability, Crown corporations and all the broader entities which are potentially under the umbrella of summary budgets. There are a number of entities that have not, in the past, been included, including school divisions.

**Mr. Hawranik:** Given that, will the minister commit to making the primary reporting vehicle for '04-05, the summary financial statements and thereby, hopefully, not having the word "fairly" removed from the Auditor's opinion two years in a row.

**Mr. Selinger:** We have said our intention is to move to full summary budget reporting in '07-08, because there is a lot of due diligent work that has to be done to ensure that all those entities under the broader summary budget reporting umbrella become GAAP compliant, which is an onerous amount of work for many entities, some of whom may not be that enthused about doing it.

We have also, this year in '03-04, reported on a summary budget basis. We have reported in the past years, as well. It has not been emphasized as much, but I know that both pieces of information I made available to the media last year when I talked to them, both the summary budget bottom line which included the Hydro deficit because of the drought, as well as the operating budget operating balance as required under balanced budget legislation.

We will continue to improve our reporting in accordance with GAAP recommendations and standards which are consistent with moving towards full summary budget reporting, but I have to tell the member that it is not just a question of flicking a switch. There are a number of issues that have to be addressed, and there is going to be some serious accounting work that has to be done in the broader reporting entity to ensure GAAP compliance on the way financial information is prepared. It is going to take a heck of a lot of work on the part of, not only provincial government officials and other entities such as universities and school divisions and other entities that we are partially responsible for funding to come into compliance, and it will not be easily done.

**Mr. Hawranik:** In the meantime, before the '07-08 commitment that you made in terms of producing a summary budget, are you going to continue to emphasize in your communications with the public, in your news releases, are you going to continue to emphasize the operating budget financial statements?

**Mr. Selinger:** Well, I think we have been over this ground yesterday, with all due respect to the member, and what I said was we will meet the legal requirements and, in addition, we will provide summary budget information both in the Public Accounts, and for the first time ever since we have come to government, in the budget statements themselves. I did refer the member to pages B6 and B7 where we do a summary comparative statement for '04-05, and we do a mid-term summary budget projection for the first time ever. We will follow up on that, and we will work with the Auditor to move forward on that as expeditiously as we can, but we have to do our due diligence work. There is a lot of work that has to be done, and to rush that could create other problems that would not necessarily be helpful to increased transparency in financial reporting. It might not also be helpful to the ability of these broader entities to do their job of providing the services that they provide.

So we are going to do it as best we reasonably can with the resources we have and the time constraints we are operating within. The communications, which the member seems to be focussing on now, will be the most transparent communications that government has provided, and they have been in the last few years as well the most transparent communications the government can provide, both

on a legislative requirement basis and on the basis of recommendations made by the Auditor. We are providing summary budget information both in the budget now and in the Public Accounts, and we will continue to do that. We will communicate the results of both summary budgets as well as balanced budget legislation requirements to the public so that they get the whole story.

**Mr. Hawranik:** With all due respect to the minister, I asked the question many times. I did not get an answer. I asked many times, in your public communication, in your communication to the public you, first of all, in '03-04 with respect to the Auditor General's report for the '03-04 financial statements, you emphasized the Operating Fund financial statements in your communication to the public. The Auditor General, and I will quote what the Auditor General says on the Auditor General's report, page 38. He says, "special purpose financial statements are by their nature incomplete and are not complete for understanding the government's management of its financial affairs." Would the minister agree with that statement?

\*(10:20)

**Mr. Selinger:** Mr. Chairperson, we did accept the Public Accounts as presented to us by the Auditor and we have acted on his recommendations. The member makes a number of statements here, including that the rainy day fund transfers are essentially leftover money from the sale of MTS. So there are a number of recommendations here and we are following up on them, as we did in '99-2000 when he removed the word "fairly" from the financial statements.

Once again, we take these matters seriously and we are dedicating resources to addressing the concerns raised here in a thoughtful, deliberate way because of the enormous amount of compliance requirements that have impacts on other entities normally not included in the reporting entity of the government. We are going to work our way through it in a way that increases the compliance with GAAP standards in partnership with the many entities that are included in that broader umbrella of the reporting entity under summary budgets.

**Mr. Hawranik:** Well, let me try again. In the Auditor's Report, page 40, the Auditor says, "The special purpose financial statements should not be

used to understand and assess the government's overall management of public financial affairs and public provincial resources. These financial statements are solely for information and use of the MLAs to determine whether a balanced budget occurred under the balanced budget law."

Would the minister agree with that statement?

**Mr. Selinger:** Well, once again, I am noticing for the record that the member is very keen on us following GAAP requirements and standards. I am noticing for the record that the member seems to believe now that summary financial statements should be the primary reporting vehicle of government. I hope the member will confirm that the next time the mike goes back his way. I also note for the record the member thinks that the primary communication of government finances should be according to summary financial statements. I will just let the member confirm that is what I understand him to be driving at.

**Mr. Hawranik:** What I am driving at is the fact that the Auditor General believes you should not be focussing your primary communications on the operating fund financial statements. In fact, he says on page 40, "The statements should not be used to assess the fiscal performance of the government. Only the summary financial statements should be used for this." That is the opinion of the Auditor General; not my opinion necessarily. I believe the Auditor General's recommendations should be followed. Does the minister agree?

**Mr. Selinger:** I thank the member for going on the record clearly supporting the recommendations of the Auditor and the quote that he gave supporting the specific quote the member made.

I just want to make sure the member speaks for his political party. I want to make sure this is not an idiosyncratic opinion on the part of the member, but that he represents the broader perspective of the political party he represents. Is this an opinion that caucus has arrived at, or is this your own opinion? Many other people disagree with you out there because I have had divergent points of view in the past.

**Mr. Hawranik:** I believe the Estimates is a section of the budget process where I ask the questions. In any event, I can tell you that we believe that GAAP

should be fully implemented. We are on the public record for that. We have got what we have right now, which is the '03-04 financial audit report, which includes both summary financial statements and operating fund financial statements.

The Auditor General has asked the Minister of Finance to focus on the summary financial statements, because that is what he has available to assess the fiscal performance of the government, and not the operating fund financial statements. Simple as that.

He further states that on page 41, "only the summary financial statements should be used to assess the government's management of the provincial financial affairs and resources." That is what he says. I ask the minister whether he agrees with that statement.

**Mr. Selinger:** Once again, just to clarify, I know the member thinks that he should be the only one asking questions, and I should be the only one answering them, but at the outset of this Estimates process we agreed to go global and have an informal discussion on broader issues, and I agreed to that, as opposed to going section by section. The proper purpose of these Estimates is to go through the Supplementary Estimates books section by section dealing with the operating branches of this department. We have waived that requirement so we could have a global discussion.

I would hope the member would be as courteous to me as I have been to him and let me be able to respond to his questions with my own clarifications on his views and whether his views represent his political party. I do not think that it is an unreasonable request. I mean, it is not necessarily appropriate that you have how many number of members you have over there, each with a different opinion on where the government should be going. I am glad the member is speaking on behalf of his caucus, on behalf of the opposition party, because that gives us greater certainty about what you are asking for. We do actually try to be responsible, believe it or not, to concerns raised in the legislation.

So, if the member is speaking on behalf of his entire caucus, which I assume he is, given his statements, that helps us focus where we should put our efforts to not only satisfy the Auditor General, but also to satisfy the opposition critic for Finance,

who speaks on behalf of his caucus and to give better information to the public on the transparency of public finances. So the short answer is we have agreed to move to full summary budget reporting in '07-08, which suggests that we have accepted the fundamental recommendations made by the Auditor General.

**Mr. Hawranik:** The Finance Minister puts out public communications with respect to the Auditor General's report, whether it be '03-04 or '04-05. What are the factors that are important to the Finance Minister that will determine whether or not he will focus his communications on the report, whether he focusses them on the operating fund financial statements as opposed to the summary financial statements? What are the factors that he considers before he decides whether to focus on one or the other?

**Mr. Selinger:** Well, the legal requirements that we are expected to perform under legislation passed by this House is a pretty important factor, recommendations from the Auditor General. I would use the broader word, commensurability, the ability to compare one year to the last in terms of communications and information. Those are some of the factors I would consider.

**Mr. Hawranik:** I refer to the Auditor's Report '03-04, with respect to the recommendations that have come forward from the Auditor General since 1999, page 53, I believe. One of the recommendations in '99 was recommendation No. 9. Could the minister give me an update in terms of whether he intends to fulfil that first recommendation, recommendation No. 9, recommending that managers' desk tops be expanded to encompass all managers, et cetera? I do not know if the minister has that in front of him or not, but if he does, can he give me some information in terms of whether or not that will be implemented, and if not, why not?

\* (10:30)

**Mr. Selinger:** I thank the member for that question. I am going to give the member a little background by way of explanation of how this process has evolved.

When we came into government, the SAP system—and they hate the word "sap," so we will try to avoid using that; they like S-A-P—had been purchased by the government as the technology for

financial reporting across the government entity, the operating government entity. It is also used by some of the Crowns as well, different versions of it. There were a number of challenges in implementing it. I will describe it the way it was described to me by a former comptroller now in retirement, happily in retirement.

It was the first day I came into office. He came to me and said, "Minister, this is a very challenging system, and we have not worked out all the bugs in it yet." The nature of the system was it was designed for a large corporate entity with a high degree of centralized control and standardized work, so it works fairly well in that kind of an organization. It is a little less adaptable to a government which has a more decentralized management structure; the minister's departments; broader entities; some of which are not linked directly to government, loosely coupled; and a huge variety of service delivery functions, part-time, full-time work, different kinds of service functions. So it was not exactly where we needed it to be, but we were well down the road in doing it. A lot of money had been spent. So the challenge was to bring it on line and then to start adapting the tool to meet the needs of government.

One of the things that was recommended in '99 was a manager's desktop, but SAP was not necessarily ready to do that in the form in which it was purchased. Additional software tools had to be developed, and they were developed with that recommendation in mind and implemented in 2002.

I am informed by our comptroller that about 75 percent of the managers responsible for financial reporting use that tool now, which I think in a sense suggests that about 75 percent of the managers have developed some comfort level with using this tool, the software tool, and further work is being done with the remaining 25 percent to get them off the old systems onto the new systems. It is a more sophisticated tool. It requires some training and some comfort level with it, and we are about 75 percent of the way there now.

**Mr. Hawranik:** I had a request from one of my colleagues to ask a question because he was not able to be here today. I am not sure if the minister would like to perhaps, I do not know if he has the information here today or not, but if he does not, if he could provide it to me at a later time. That is with respect to the film industry tax credit.

Can he advise me how much is in the budget for film industry tax credits for this year?

**Mr. Selinger:** I thank the member for the question. He indicated to me he is asking the question on behalf of another member of his caucus.

I am going to give a little background again. The tax credit is what is called a tax expenditure. For at least 12 years, tax expenditures made by government were not reported. Two or three Estimates ago, a member of the Estimates opposition asked whether I would start reporting on tax expenditures, and I undertook a commitment to start doing that.

Once again, these things take time to develop because you have to compile all the information. I think this is the second year, is that correct, that we have reported on tax expenditures? They are reported on page D14 in your budget papers, which I believe you have immediately to the left there. If the member would care to turn to page D14, and I will just wait there for a second.

On D14 and D15 are all the tax expenditures the government makes. On the bottom of that D14 page, four items from the bottom of the page is the Film and Video Production Tax Credit and the value of that is estimated at about \$12 million for '04-05. I suspect, when '05-06 is reported on, that will go up because of some additional changes that were made this year. It will probably go up about \$3 million, in that rough order of magnitude. It is driven by the number of productions and the amount of claims that are made and the cash flow on that. Sometimes productions claim a couple of years after they have completed the work. So there are some accounting issues related to it, but we give the estimate of the actual money flowed in that year which may not just represent productions in that year. It may represent prior years' productions which are finally claimed for under the tax laws.

It is a reasonably substantial commitment to film and video production in this province for the second year in a row it has been reported on. Prior to that, it had never been reported on, as had none of these other items on these two pages. This has been one of the critiques of budgeting across the country for at least as long as I have been thinking about budgeting, which is about three decades. Tax expenditures were always deemed to be ways of providing support that were not as transparent as actually

putting expenditure items into budgets, but now that we have started reporting on it, the level of transparency is equivalent to the regular budget documents, and it is available to the member for any further questions.

**Mr. Hawranik:** With respect to those, you say that '04-05, it is \$12 million. I believe it shows there. Can you provide detailed information as to who got those tax credits and how much?

**Mr. Selinger:** A couple of points I have to make here, and I am sure the member will be aware of this as soon as I mention it. First of all, this tax credit is administered for us by the Canadian Revenue Collection Agency by agreement. The majority of provinces participate in a federal government agency for the collecting of taxes. The other problem is that individual tax information is private information under federal tax laws that we agreed to. So I actually cannot disclose specific tax-filer information to the member.

**Mr. Hawranik:** I turn back to the recommendations, and I thank the minister for that, for clarification. The Member for Southdale (Mr. Reimer) asked me to ask the question. He was not able to be here today. He wanted some clarification with respect to that, and if he wants further clarification, I will ask him to ask further questions if he needs to do so at some later point.

I turn back to the recommendations that were not yet implemented. I look at No. 12. The Auditor General in '99, recommended a well-thought-out and effective business continuity plan, one component being disaster recovery, having been completed, should be developed, documented and tested regularly to minimize the risk of disruptions caused by unforeseen events. Can the minister advise whether he is planning on implementing that recommendation, or if he has made some progress toward it, or whether he is not interested at all in implementing that recommendation?

\*(10:40)

**Mr. Selinger:** I will start giving an answer as my officials develop further specific information for me, but the short answer is yes. I have been interested in this recommendation and I have been following up on it. There has been progress made in this area.

Our specific response that we provided to the Auditor was as follows. It is on page 27 of the Auditor's Report. It reads as follows: "Improving disaster recovery capacity has been a focus of significant effort for the last several years. For example, a disaster recovery site was established in '02 and a corresponding plan has been developed that addresses the coverage around the SAP application" which is a major, as we have just discussed, piece of software across the broader government entity.

"Operating procedures to affect the plan have been developed and tested at the site. The plan was tested this past summer and we are pleased to report the production SAP services were successfully run on the DR site for a three-week period. There were no issues or degradation in service levels. Personnel have been assigned and trained in the execution of the plan. Associated documentation outlining the disaster recovery plan is being revised to reflect the recent hardware upgrade. MICT, which is a branch of the Department of Energy, Science and Technology, expects to complete the disaster recovery documentation early in the '05-06 fiscal year. Coincident with this work being completed and consistent with the Auditor General's recommendation, the newly created MICT intends to refocus efforts on development of a comprehensive and effective business continuity plan in relation to the government's SAP installation."

Now, what I want to say are a couple of points. These disaster recovery plans are major undertakings on the part of government to protect its information assets as well as its other assets. As the member also knows, we created a new department, Energy, Science and Technology, and we have put all of our information technology expertise into that department to leverage it and get greater focus and concentration. One of the things they are focussing and concentrating on is disaster recovery plans.

So we are moving forward on that. Once again, it is not done quickly or easily. It requires a lot of work. It requires the development of information technology architecture and software. Then, as the note here explains, it has to be tested and seem to be functional.

There are other examples of disaster recovery plans that are being worked on as well. I would be happy to provide further information if the member requests it.

**Mr. Hawranik:** I note that the minister had indicated that that particular recommendation would be complete early in the '05-06 year. We are currently in the early part of the '05-06 year. Are we on target, is the department on target with respect to that timeframe that he is aware of?

**Mr. Selinger:** The MICT expects to complete the DR documentation early in '05-06. I will take that as notice and get the information back to the member before we complete our Estimates rounds.

**Mr. Hawranik:** Recommendation No. 1 of 2001, and it is basically some of the conversation we have had today, this morning, and yesterday, indicates that the government make the summary budget its primary tool for explaining its financial plans to the citizens of Manitoba and so on. It basically indicates that summary budget should be the primary tool. You indicated, I believe, Mr. Minister, that full summary budget will be prepared for '07-08. Is that a firm commitment?

**Mr. Selinger:** First of all, on the specifics of that recommendation, that is why I have referred the member to pages B6 and B7. We do show in a summary budget format the '04-05 budget, on page B6. On page B7, we show it for '04-05, '05-06, '06-07 and forward for illustration purposes. So we have taken this recommendation seriously and we have produced documents that presented it in the way recommended by the Auditor General of Manitoba.

**Mr. Hawranik:** Are there any recommendations on page 53 that, regardless of what was said within the Auditor General's report of '03-04 in response to those recommendations on page D, whatever it is, are there any of those recommendations you have thought about, considered and believed that perhaps you will not comply with any them? Is there any of those you are concerned about in terms of compliance?

**Mr. Selinger:** It is a good question, but what can I say? If I were to say to you that we disagreed with some of the recommendations, I have a feeling you would pursue that with me vigorously in several different venues and try to set up a dynamic where I was refusing and being recalcitrant with respect to the God-like recommendations of the Auditor General, et cetera, et cetera. I know you would do that, in spite of the fact that you seem like a reasonably nice chap inside this Chamber, but there

is that other setting that we engage in from time to time where reason does not necessarily prevail.

So my answer would be this: There are from time to time recommendations made by the Auditor that we discuss with him in terms of their practicality and the timeliness and sometimes even the sensibility of introducing them. However, auditors generally pretty much have the final say on what they think the interpretation of accounting rules should be, and then we have to adapt to that even if sometimes they do not seem that sensible.

It has come to my attention, in discussing with other Ministers of Finance across the country that not everybody is entirely comfortable with some of the recommendations they receive from their auditors general and there is an ongoing debate here. Our comptrollers weigh in on this as well who are also accounting experts and they have their views. Sometimes there is a difference between the practitioners of public accounting and the commentators and the auditors of public accounting.

As the member will know as a lawyer, there is sometimes a difference between what you learn at the law school, the way you practice law and how you apply the lessons you have learned at the law school.

So we do try to have a thoughtful discussion with the Auditor about the recommendations they put forward and the sensibleness of them. They are person-made recommendations. They are not tablets received upon a mountain that are unchallengeable. As I have said yesterday, there is an evolution in these accounting standards and the evolution can go in different directions depending on the mood out there.

I noted recently that there is a debate within Canada in the auditing community of whether they should follow the European standards on international accounting standards or the American approach on international accounting standards. The difference would, I could summarize as follows: The European approach follows a principle based approach, where you have a broad set of principles and you work within them. The American approach has moved to more of a specific rule-based approach. Some would characterize it as being more rigid. The Canadian auditing community feels a greater degree of comfort in the corporate sector in complying with

European standards than necessarily following the American approach.

These are exact parallels, as the member will note, in his profession about how you interpret an approach to law or to any other profession, whether it is psychiatry or psychology or social work or teaching. There are different approaches to the way the principles of that profession should be enacted.

So the short answer is this: We do try to respect the recommendations by the Auditor and find a practical way to implement them with the resources we have in order to meet GAAP standards across the country, but there are many forms where these things are debated and they are not all necessarily recommendations that have a complete consensus across the country.

\* (10:50)

**Mr. Hawranik:** Looking at the '03-04 Auditor's Report, it appears that \$348 million was withdrawn from the rainy day fund in five years from what I could see. In 1999, the fund went down by \$348 million in five years. In 1999, there was \$427 million in the fund. On March 31 of '04, there was \$79 million in the fund and, of course, that is according to the Auditor's Report page 63. I note a government news release, on September 30 of '04, which indicated that the Province will withdraw an additional \$45 million from the rainy day fund that year. Was that \$45 million that was targeted in that news release part of the \$79 million? Would it have reduced the \$79 million or was it just part of the original amount that was planned to be withdrawn from the rainy day fund that year?

**Mr. Selinger:** I just want to clarify the member's question so my officials understand it. Is the member asking me, was that \$45 million included in the amount that left a balance of \$79 million, or was it an amount to be drawn in addition from the remaining \$79 million? Is that the question?

The answer is that it was taken out to arrive at the \$79 million figure.

**Mr. Hawranik:** The target level that is recommended by the Fiscal Stabilization Fund is 5 percent of expenditures. Do you plan on maintaining that target? Do you regard that as a target or would

you be prepared to maintain that amount no matter what, I guess, for lack of better words?

**Mr. Selinger:** The legislation suggests the 5 percent as a target. It does not require it, but it suggests it. In this year's budget, we project bringing it back up to \$395 million.

As the member knows, the world does not necessarily unfold according to our plans in the budget. There are things that come along from time to time that are unforeseen, such as the BSE crisis, such as the second-worst record in forest fires, flooding and September 11, quite frankly, which had a huge impact on our bottom line, as well as things called accounting errors that are discovered by the federal government. I received a phone call informing me that they have just deducted \$165 million from our revenue stream and we could discuss it, if they wish, but the money has already been deducted. So those kinds of events come into my office as the year unfolds and you have to respond to them and still balance the budget.

Quite frankly, that is not going to change. The world is not going to conform with exactly what we would like to happen in Manitoba's budget scenarios, nor the federal government's budget scenarios, nor in George Bush's budget scenarios, nor in anybody else's. There are going to be events that occur out there that challenge budgets to respond and are beyond the control of government, which is the way it should be.

**Mr. Hawranik:** Can the minister clarify? I think you just said that \$165 million was deducted from the federal revenue stream to the Province. Can the minister advise what that is? I did not get that.

**Mr. Selinger:** That was the federal government discovered that they had an accounting error with respect to the amount of monies they were remitting to Manitoba for corporate taxes on mutual fund trust accounts. That has been well-described in a previous budget, the issue and how we resolved it. It was a significant crisis for the government because they took the \$165 million first and they informed us that they had taken it next, one of those good experiences of federalism.

Then they, in addition, informed us that we had several hundred million dollars. I believe the number was \$700-million plus of further amounts that they

thought we owed them because of overpayments, but we have got a good article on that in our previous budget, and in public accounts we have described it as well. We felt that they had missed a very, very significant point. That one, they were responsible for the accounting errors. It was their agency that had made the error; and two, that when revenues go down under the equalization program there is supposed to be a revenue offset.

We worked out with the federal government after a long period of negotiations, I think it took about a year, an arrangement where the principle of equalization was netted against the amount owing on the accounting error, and an arrangement was worked out to pay back an amount of about \$90 million in addition to the \$165 million over a period of 10 years. We did work it out, because it was an accounting error that had implications for many other provinces as well, notably Québec, but a few others took hits as well. It was a complicated process, and I have to say that our officials in Manitoba probably did provide national leadership on finding a technical solution to that problem and a principled solution to that problem. We advanced very quickly a solution to that problem which wound up being the template for resolving it across the country.

**Mr. Hawranik:** Just as a point of clarification, I thought I heard the minister say that the \$165 million was just deducted. Perhaps I am incorrect in that. Can he tell me when that occurred?

**Mr. Selinger:** The \$165 million related to the '01 tax year, and I believe it was deducted in '02. I was giving a historical example of impacts on the Fiscal Stabilization Fund, and the other point that needed to, I will just make it for the member, and it is actually a worthwhile read, this thing, because it was an incredibly complicated issue, it also reduced our revenue track going forward, because they had been overpaying us for several years, and then when they made that adjustment, it permanently reduced our revenue track going forward, which had an impact on the finances of the Province as well.

**Mr. Hawranik:** I thank the minister for that clarification. I think when I heard it at first I thought he meant that it was last week, but in any event, yes, thank you very much for that clarification.

The net debt of the Province increased by \$1.2 billion in '03-04 alone, the net debt of the Province,

and I know that the minister likes to focus on the summary debt of the Province which is much less than what the net debt shows. Why is it that the minister focusses his communication almost entirely on the operating debt as opposed to the net debt?

**Mr. Selinger:** Well, the short answer is that it is what balanced budget legislation set it up, the legislation, to do. They developed a methodology and a plan within the legislation to deal with the general purpose debt. I do not know if we are going to have an extended conversation on debt now. Are you planning to go down that road for a while? Well, whenever you get to it, there are a lot of things, I think, we need to discuss here just to make sure the record is clear.

The general purpose debt is different than the current debts being incurred in Manitoba in that the general purpose debt was the result of operating deficits that were run in the seventies and eighties that went into what they called the general purpose debt and for which there was no plan to repay over a period of time. There was no amortization or debt repayment schedule put in place. So the debt was building and being rolled over and it was growing, and a certain part of that debt was offshore. It was sourced from outside of Manitoba and outside of Canada. There was a foreign exposure component to it in terms of foreign currencies, and that became a big issue, as the member himself will know, in the late eighties and early nineties, and balanced budget legislation in Manitoba and other jurisdictions decided that they could not run these deficits for which there was no plan to retire the debt after the deficits were run and piled on top of each other.

\* (11:00)

The balanced budget legislation put in place a regime to pay that debt down over a period of years. That is where the original \$75 million was identified, above the line, against GAAP standards, in contradiction to generally accepted accounting principles, the \$75 million was put above the line in the balanced budget legislation, and the money started to flow towards retiring that general purpose debt and then accelerated to \$96 million in our first year in office. Then, because of further Auditor and credit rating concerns, the pension liability, which had been ignored for 40 years, was strong recommendations coming from everywhere to start dealing with that as well. As I explained to the member yesterday, we put

in place a joint plan not only to retire the general purpose debt, but to start funding the teachers and civil servants pension liability out of the resources allocated above the line; \$75 million, \$96 million and now \$110 million.

That debt is different than the current debt being dealt with because the current debt is for assets, assets that the member is benefiting from in his constituency, and Manitobans are benefiting in every constituency in the province: schools, hospitals, roads. The point I want to make to the member now is you have to debt finance those assets according to GAAP standards.

We used to pay for our roads when I first started in this job with cash. The Auditor required us under GAAP standards to amortize the financing of road infrastructure in this province which is why I was pushing the member to determine whether or not he supported GAAP, because under GAAP, you have to debt finance those things and then you have to have a schedule of repayment reflecting the expected useful life of the asset. In the case of a road, I believe it is extended over 20 years, 40 or 20? I will clarify that for him in a second. We have a schedule of amortization depending on the type of asset. I know a government building is 40 years, and I am going to clarify what roads are.

Once again, the recommendation for debt financing road infrastructure was not implemented immediately because there was an amazing amount of work that our comptrollers and office and other officials in government had to do to, first of all, determine what the assets were that had to be amortized, what the value of them was and how to put them on the books.

The schedule in which a road is amortized, there are three different ones. A provincial road surface with a capitalization limit of \$100,000 is amortized over 20 years. A provincial road with a thin overlay is amortized over 10 years, and a provincial roadway that is developed and redeveloped from grade level up is amortized over 40 years. This is on page 166 in the Public Accounts on the Estimates of Expenditure for this year, if the member wishes to look at that schedule of amortization.

I will go a little further. This is why I have been somewhat frustrated by the public comments that the member has made. I do not think he did this

intentionally, but I have seen statements that he has written where he says, "The minute you have a debt, you cannot have a balanced budget."

Well, according to generally accepted accounting principles, you can have a balanced budget, and you have to amortize assets through debt instruments. They both go together. The theory behind it, as I understand it, is that it does not make sense in accounting terms, to pay cash for our road today when the expected life of that asset is 20 to 40 years, and the beneficiaries of that asset will be extended over those 20 to 40 years. The accounting principles suggest it should be amortized over its useful life and by doing that, it is suggested it should be paid for over its useful life by the people who use that asset, being Manitobans and taxpayers of Manitoba.

Part of my frustration has been I have seen the member out there in written statements saying we are running a deficit because the debt has increased. That is not true. Under balanced budget legislation and under GAAP and under summary budgets, we have balanced the budget. With the exception of the bad Hydro year, we have balanced the budget, and we have debt financed assets in Manitoba as required by the provincial auditor.

I can tell the member I was not that enthused about moving off a cash-paying-for-roads approach because like the member, and I think we have probably come from similar experiences, we do not really like the idea of building up debt, but I also came to understand that there is a good theoretical rationale for doing that in accounting terms. The theoretical rationale is the one I explained. It should be paid for over its useful life. It should be paid for by the people that use it over its useful life, not all cash paid for today which, in effect, would mean it is a freebee to those that are using it for the next 20 to 40 years.

I have had many discussions with the accounting committee on this in reference to the member's previous question about accounting standards. Do we accept them all? They all look at me and say, "Yes, it is nice if you can cash pay for everything, but you should really follow GAAP and you have to do it by the GAAP standards, and you have to amortize them," and, "No, you should not pay for them by cash." Once you get the system up and running properly, and you put your assets on the books, and

you finance your new assets properly, you will be much happier with that approach, because that follows GAAP standards and summary budget standards.

So we have done that. I can tell you, ministers of Finance across the country have had some hesitancy about moving away from cash financing certain assets to having to debt finance them in order to meet GAAP standards, but that is the requirement. I am happy to discuss this further with the member because I know it is a major issue not easily understood at first blush, because the accounting rules are sort of out there. They are not on pages 1 to 3 of the *Free Press* or *The Sun* every day, and the media do not necessarily understand this either, but it is a fact of life that we have to deal with now.

**Mr. Hawranik:** With respect to the debt, and I looked at page 32, 33 of the 2005 budget papers, I looked at general purpose debt. I know the requirement under the balanced budget legislation is to pay down the debt by \$96 million a year as a minimum, and I understand the comments that the minister made yesterday with respect to somewhat shifting some of the funds to the pension liability and why he has done that. Regardless of that, when I look at the '02-03 general purpose debt, it was 6.355 billion; when I go to the '03-04, it goes to 6.546 billion. It goes up by, or I should say it goes down by, no, it goes up by almost more than \$200 million, it goes up by. The following year it goes up by another \$48 million and down by \$3 million.

I guess my concern, even though the minister has said that he is complying with balanced budget legislation; in fact, the debt under balanced budget legislation has gone up. The general purpose debt has gone up substantially from the year 2002-2003 to the 2005-2006 budget. So is he really complying with balanced budget legislation? I guess that is my question. When the general purpose debt goes up, and he is required to put \$96 million toward the debt, when he goes out in front of the cameras, in front of the *Free Press*, in front of *The Sun*, and says he has paid down the debt, is that really correct? Is his communication really correct, or am I just misunderstanding something here?

**Mr. Selinger:** Every time you take back tax dollars and set them aside and it actually it goes into a debt retirement fund, then it sits there until you actually make a pay down. When you do that, you pay down

the debt. It is the same argument that I made to the member yesterday with respect to the pension liability. Even though the pension liability continues to grow, the measures we have taken have reduced the growth. It has not grown as rapidly as it would have under the original scenario. The same thing applies to the general purpose debt. Yes, there has been some growth here, but it would have grown more if we had not have taken these measures to pay down the debt.

Now I know the member is into semantics on this, but in my life when I take cash and I use it to pay down a bill, I have paid it down, even if there is some incremental growth in it; similar with the pension liability, because it avoids further escalation of that amount. Yes, we have dedicated, I believe it is about \$595 million for pension and debt liabilities in the last several years. Where is that note that you had from me yesterday? We have made the largest contribution in history towards paying down the general purpose debt and pension liability, and there is more work that has to be done there.

\* (11:10)

What is happening here with these numbers, I want to further explain this to the member by referring him to page B37, which I think the member, I am going to get here, is there have been, and I have explained this earlier, some evolution in accounting standards. The Auditor has come along in subsequent years to when this information was reported and changed the application of accounting standards which has resulted in the debt having to be restated. That is shown on page B37, and I am going to get that for you.

I understand the confusion the member might be experiencing here because it is bloody hard to figure this stuff out. For example, the Auditor came along, and said to us on Manitoba Housing that the way you have been showing your debt does not follow the evolving accounting standards. The Auditor himself was the Auditor for the Manitoba Housing and Renewal Corporation for several years, but, at one point, said that I have to treat the way the debt is being shown here differently than it has been treated in the past, and increased the debt by \$250 million approximately, because of the change in accounting standard.

So what I did on page B37, and we did a lot of work on this to explain it to the member, you will see

the general purpose debt has been restated on that page. When you get it restated, it shows a steady decline over the last several years, since '99, both in absolute dollar terms and in percentage of debt-to-GDP ratio. That is the restated debt once all the accounting rules that have changed have been applied to previous years.

The data you have explained to me here on pages B30 and B31 are the unrestated debt. In other words, the past debt was not restated to reflect the new accounting rules, only the current years were restated to reflect the accounting rules. The previous years were left the same. Because of the confusion of that, we developed the table on B37 which restated it for previous years according to the accounting rules now in place today. So it is a retrospective look at the debt according to the new GAAP standards.

Does that make sense where I am just explaining that? It is a bit like rewriting history. You come along, you have a new perspective on history and you look back and you say, "Gee, I see it this way now," but they did not see it that way 10 years ago, 20 years ago, and history is rewritten all the time.

Accounting standards are being rewritten all the time and when they are applied retrospectively it changes the picture. The B31 is the unchanged picture. B37 is the changed picture with the rules applied retrospectively.

**Mr. Hawranik:** I appreciate the minister for that response, but I still see the restated general purpose debt as having gone up from '02-03 to '05-06. Yet, I still hear the minister saying he is paying down the debt in public communication. He may call that semantics, but you are not really paying down the debt; you are paying toward the debt, perhaps. When I talk to my constituents and they say that the debt is going down, is the debt really going down? That is the question, in terms of public understanding of where the debt is.

I do not know if the minister visited my debt counter on my Web site. If he did not, he should. In any event, I have taken the numbers right out of the budget, 2005-2006. The debt is going up by \$526 million, but I am talking about the total obligations and the total obligations, I think, are important. The total obligations of the Province are important, because if an individual goes into a bank and asks for a loan and the bank manager asks the individual,

"How much debt do you have to determine whether or not you can support more debt?" They do not just accept their credit card debt. They do not just accept their mortgage. They do not accept just their car loan. They do not just accept their furniture loan. They want to know the total obligations.

As I say, if you look at the debt counter, it goes up by \$1,441,100 a day, \$1,000 a minute. So, having said that, I am wondering whether the minister would consider communicating his debt numbers differently than what he does because I think the public is confused.

**Mr. Selinger:** Unfortunately, a certain amount of that confusion has been generated by the member opposite. He may have a dual character. If you are interested in understanding why the debt is going up in absolute terms, I have given a partial explanation. Accounting standards have changed, so restatement has occurred, and that is why I did the table on page 337. Another element of that explanation is accounting requirements now require certain assets to be debt financed, no longer cash paid for. That is another part of the explanation.

I have not visited the member's Web site, because I want to keep my anger under control with respect to the information he is putting out in the public, but I have seen some written communications that the minister has put out to his constituency. Not that I have gone looking for them; they have been presented to me, and I would say that the member did not completely understand the impact of accounting rules on debt inside the Province. I say that respectfully, because they are not easily understood. I have started into a partial explanation on that today.

Just to follow up on the member's analogy. If he or I go to a bank to get a loan they look at what debts we have, and they want to know all the debts we have. Most importantly, they want to know our ability to support that debt and repay them. That is why the debt-to-GDP ratio is the critical variable here.

If your economy and your wealth in the province is growing faster than your debt, your ability to support that debt has increased. If a member is running a business or wants to build some further assets, wants to renovate his house or add an extension or build a cottage and add debt, the loans

officer or the credit rating agency, which is a direct analogy for the Province, will look at the ability of the borrower to support and sustain the debt and pay it down over time. Our ability to manage our debt in this province has strengthened in the last several years. The debt-to-GDP ratio has been on a steady decline.

The assets that we are putting on the books contribute to economic growth. All good businesses, most good businesses, not all, most good businesses debt finance growth, and they justify it to the people they borrow the money from on the basis of the return those assets will generate. They make a business case. That is why we have been investing in highways because it will strengthen the economy. That is why we invest in health care facilities, because it has a direct contribution to the ability of Manitobans to be productive, earn a living and be healthy. That is why we invest in school assets, because education is one of the strongest predictors of economic growth in a provincial jurisdiction.

The debt-to-GDP ratio is key. If the member wants to take an absolute approach, that debt is growing, and that that is an evil thing, the Province will have the problems and, I say this respectfully, that started to occur in the nineties, where assets will dramatically deteriorate. You have to debt finance it according to GAAP standards, according to the accounting standards.

If you say you do not want to run any more debt, you cannot cash pay for it because they will not accept that, so you are not going to do it. Your schools will not be built, your roads will not be fixed up, your hospitals will not be renewed, your universities will not be renewed, your information technology will not be purchased. It would become a horror story of a no-debt province that is sinking into public poverty and decrepitness. That is not a good story.

A government has to invest in assets to grow the wealth of the province, both as individuals and families and in its public infrastructure. There is an interaction there. We have to do it according to GAAP standards, and we have to do it in a way that is sustainable, which is what the bond rating agencies look at.

I point out to the member that the bond rating agencies have increased our credit rating twice. Two

different agencies each have increased our credit rating because we put in place a plan to deal with the pension liability and the general purpose debt, and we demonstrated that on any new investments we are making in schools, infrastructure and other facilities, we could support that through growth in the economy.

The general response we have gotten is that we are a well-managed province and that we have a good plan, economic plan and a good financial plan going forward. We demonstrated that we are going to continue to lower that debt-to-GDP ratio at the same time as we invest in strengthening the institutional infrastructure of this province and pay down the general purpose debt.

\* (11:20)

I know the member does not like the word "paydown" because he thinks in the absolute sense that the amount should be shrinking. I have demonstrated to him on page B37 that, yes, the absolute amount of the general purpose debt is shrinking. That is why I put that table there. Once restatement has occurred, in other words, you are applying the rules fairly, retrospectively and going forward, which is the value of that table.

Now, what does this mean? The member could pursue his debt-per-minute or debt-per-hour debt calculator in absolute terms. I guarantee that if the Conservatives ever return to government, they will have to eat those words because they will be required to pay for roads, schools and hospitals through an amortization schedule if they are equally committed to meeting GAAP standards, which the member has made very clear to me this morning that he is strongly committed and his political party is strongly committed to GAAP standards. If you are strongly committed to GAAP standards, you have to debt-finance these assets. You cannot have it both ways, and that is why I wanted to get that clarification.

I am not trying to play politics here. I am trying to say that we have requirements, and if we want to be responsible in the criticism of the government, and if the government wants to be responsible in the managing of public affairs, it should continue to work on a lower debt-to-GDP ratio. There is a numerator and a denominator there. It involves managing the numerator as a proportion of the

denominator so that the ratio goes down. That opens up a variety of strategies to government.

Some of them are involved in having an economic plan that grows the economy so that the denominator is bigger. The other part of the plan is managing our investments as a government so that they do not exceed growth in the economy so that the numerator shrinks as a proportion of the denominator. We have been doing that. The bond rating agencies respect that and understand that. At the same time, we are investing in improving the infrastructure for nursing homes, for people that are vulnerable, for young people getting an education, for post-secondary institutions, for transportation infrastructure, for new technology.

When I came to government, the first thing I encountered in my first budget was this thing called Schedule B Assets, which were \$100 million of debt-financing in the last budget of the former government. I said, "Why are we debt-financing these things?" I said, "This is ridiculous. It is over \$100 million." I was told that I had to do it according to GAAP standards, and it was the only way to finance those assets in government.

If the member wishes to pursue it further, I would be happy to discuss it with him.

**Mr. Hawranik:** I will just refer to an earlier comment by the minister during his last answer. If he prefers to be on my mailing list, I would certainly add him to the mailing list. He does not have to get it from outside sources. Just call my office. I would love to get you on my mailing list.

You mentioned that a couple of bond rating agencies have increased the capacity of the Province, in their opinion. In my opinion, I think a lot of that has to do with not necessarily the activities of the Finance Minister, but perhaps the decreases in interest rates. If you decrease the interest rate, of course, the ability of the Province to be able to sustain and to pay the interest on the debt increases.

So what would your comments be to that?

**Mr. Selinger:** In response to the member, the bond rating agencies primarily focus on your ability to support repayment of your debt as expressed in the debt-to-GDP ratio. That is the issue they look at and how you are managing that. Quite frankly, I have

found, actually, to my pleasant surprise that bond rating agencies want to know what you are doing to improve the quality of life of your citizens. They want to know that you are investing in education. They want to know whether you are addressing the educational requirements of a growing Aboriginal population. They want to know that you are addressing environmental issues. They want to know what your economic plan is.

They actually have a fairly broad view of what a government should do. They look at the credit rating as a proxy for the ability of the government to be a good government, to govern effectively, which to them means being able to grow the prosperity of the province and the well-being of its citizens and the educational level of its citizens, which they all see as contributing toward a healthier ability to repay any investments you make in assets because you are going to have a stronger economic performance.

I have been pleasantly surprised by the breadth of their questions and the challenges they put to you as a government. They do not just focus in a strictly technical way on an analysis of your finances. They do that, as well, and they do that very thoroughly. They come in and see our officials on the technical side of it, but at the policy level, they look for a broader approach. They use those questions to determine the confidence level they have in what your government is doing. When they see a government that is increasing the education of its population, providing for the health care needs, improving the infrastructure, and managing the debt-to-GDP ratio in a desirable direction, downwards, they like that.

**Mr. Hawranik:** The minister indicated a couple of answers ago that it is important that any debt increase be sustainable. I am wondering how an increase in the last five years in the net debt of the Province by 21 percent is sustainable, given that we have low population growth, we have not had, in the last five years a population growth equal to 21 percent or anywhere near that, the fact that we have had very, very low inflation, our inflation is not anywhere near in the last five years, is not anywhere near 21 percent. I am wondering if the minister can tell me how he can justify a 21% increase in debt over the last five years when we have low population growth and low inflation over that period of time and whether he thinks that is really sustainable.

**Mr. Selinger:** I need to get a clarification from the member about how he came to that number.

**Mr. Hawranik:** Yes, the increase in the debt was about \$3.5 billion in the last five years. That is roughly the increase that I am referring to.

**Mr. Selinger:** I am going to restate some of the points I have made to the member earlier by way of an answer to his question. The general purpose debt has declined, as indicated on page B37, after restatement. The debt-to-GDP ratio continues to decline, as well, within the province, which is the key ratio looked at by credit rating agencies.

Now, the member has claimed that the total debt has increased by \$3.46 billion, and the main reasons are, for that, is the increase in the pension liability, \$705 million of that is the increase in the pension liability. I have spent quite a bit of time explaining to the member how, without the measures we took in our first budget, that pension liability would have grown even higher. So we have mitigated the growth in the pension liability, and even though it still continues to grow, and it is about \$1 billion on these lines on pages B30, B31, we have mitigated the growth in that pension liability, and we will flatten it out in about 12 to 15 years and then it will start to decline as shown on that graph that I gave the member yesterday.

So we have taken a problem that was growing exponentially and we have slowed it down with the objective of flattening it out and then declining it. So that has been a major improvement that we have made in how we have managed the public finances in the province. In the short run, it is still growing and that is part of the explanation. That is \$705 million.

The other element there was the purchase of Centra Gas and Winnipeg Hydro, \$601 million. Both of those entities are under the management and direction and governance of Manitoba Hydro now. Manitoba Hydro is required to make all of its debt self-supporting through the rate structure that it has. So those debts are self-supporting through that Crown corporation and they have got assets. They purchased assets there.

\*(11:30)

Now we could have a big debate whether they overpaid for Centra Gas, if the member wants to

discuss that I would be happy to, but the reality is they purchased two key assets in this province with debt, but those assets have value and they are providing value to Manitobans. They are being supported independently by the revenues generated by those assets themselves, as well as the broader assets under the control of Manitoba Hydro.

Similarly, Manitoba Lotteries has acquired assets through debt financing of \$250 million. Now, \$100 million of that was illegally borrowed by the corporation and the former government. They had claimed that they were only going to spend \$60 million on the new casinos. They spent about \$100 million more on that and the corporation had done it itself through its own private arrangements without going through Loan Act authority. We corrected that problem in our first year as recommended by the Auditor.

Then, of course, the member will recall that there is an upgrade to the VLTs in the last year or two. So there has been \$250 million of asset financing that has been put on the books by the Province, \$100 million which had been left out before, and then the remainder through asset acquisition in the last several years which are shown on the books and, once again, are required to be supported by the revenues generated by that Crown corporation. So they are paid for by the Crown corporation through its own business plan.

Then an additional element there, and this is where I was focussing on page B37, is accounting changes. Evolution and accounting standards has added \$606 million to that \$3.5-billion figure that the member has discussed with me. So there is no difference before or after. There is just a different treatment in the presentation of that information according to evolving GAAP standards as uncovered and put on the books by the Auditor.

The actual obligations have not changed, but the presentation and the treatment of those obligations for accounting purposes has changed. So that is \$606 million. An additional \$91 million was a direct result of the federal accounting error. We had to eat \$91 million in our debt line because of the federal accounting error putting that into the debt of the Province of Manitoba. Then, of course, there were the losses of Manitoba Hydro last year, \$436 million, which was self-supporting and required to be paid for by the Crown itself.

Then there is Manitoba Hydro capital program less currency fluctuations of \$175 million, further investments by Manitoba Hydro in capital to improve the ability to deliver the services they deliver. As well, there is \$313 million for new health capital programs. The member knows about some of these health capital projects because some of them are in his constituency, but there are others as well.

In addition, there is other self-sustaining debt by other government entities of \$208 million. If the member wants a breakdown on that I will endeavour to get it for him. In addition to that there is this Part B capital which I discussed with the member that was first brought into the budget in '99-2000 by the previous government to follow GAAP standards. That has been general and infrastructure, including the floodway, under Part B capital of \$348 million. Then that has been reduced by general purpose debt going down \$270 million. So that gives you your \$3.46 billion of changes.

The member can see that we have addressed the pension liability with the plan. Hydro assets are self-financing. Accounting changes we had no choice about, \$606 million, and then we have actually invested in some assets in the province, health and schools, et cetera.

So to recap, pension liabilities have increased by \$1.2 billion, and we have contributed \$102 million to the pension assets fund during that period which gives the net of \$705 million. If we had not made that contribution to the pension assets fund the pension liability would not have gone up \$705 million. It would have gone up \$1.2 billion, which is the point I have been making to the member earlier. We have been mitigating that debt, and I made the point about Centra Gas and Winnipeg Hydro actually being the acquisition of real assets which generate economic benefits to Manitobans and returns to the corporation.

Of that \$250 million of Lotteries debt, it was not just \$100 million, I should correct myself. It was \$170 million which was off the balance sheet prior to '98-99. In other words, it was not properly recorded and I have said before that it was illegally borrowed money because it did not go under The Loan Act. Then I have mentioned the accounting changes of \$606 million, the federal accounting error being \$91 million which will be repaid over 10 years. So there is a schedule to retire that \$91 million over the next

several years. I think we are about two to three years into that, that \$91-million repayment. The first payment was in '04-05, so we are into the second year of that now. That will be retired eight years out. Then if the member has any other questions, I would be happy to try and answer.

**Mr. Hawranik:** Yes, the minister in response to some questions I had in Question Period and in his public communications, he has indicated that the debt-to-GDP ratio is declining. Is he getting his numbers from page B37 of the budget paper?

**Mr. Selinger:** Yes, the answer to his question is in part. That is part of the explanation of the declining debt-to-GDP ratio. I think I am going to wait to see if the member has a follow-up. I mean, unrestated or restated, if the member turns to page B32, B33 and he looks at debt as a percentage of GDP, the net general purpose debt, are you with me there?

**An Honourable Member:** Yes.

**Mr. Selinger:** Yes, it is in the second box of information there, the second category, Percent of GDP. Net general purpose debt as a percentage of GDP, unrestated, is declining, and then on B37, restated, it is declining, in either case, but it is more accurately portrayed on page B37.

\* (11:40)

**Mr. Hawranik:** Just for clarification, I see that in the restated numbers on B37. Let us take, for example, 2005-2006; you had a 15.8% debt-to-GDP ratio. How is that percentage calculated, exactly? How do you get 15.8 percent?

**Mr. Selinger:** If the member looks at page B32 and the bottom line, it shows the GDP at market prices. Are you with me there? *[interjection]* Then you take the debt and put it on top of that and do a percentage. That is how you get your 15.8.

**Mr. John Loewen (Fort Whyte):** I just have some follow-up questions for the minister. I guess, particularly, I was intrigued by his opening statement yesterday where he thanked the member from Turtle Mountain for getting him some water that he seemed to be in need of. I just sort of remember his comment as being that somehow the PC caucus budget must be more than the NDP budget. Could he just clarify that statement?

**Mr. Selinger:** I have no idea of what the member is talking about.

**Mr. Loewen:** Hansard is not available yet. Maybe when Hansard comes out, the minister could, you know, take a look at what he said in Hansard and maybe clarify it for me then. He, certainly, seemed to be indicating to me at the time in his statement that somehow the Conservative caucus had more money in its budget to spend on things like water, et cetera, than the NDP party had, and I find that a little unusual.

In any event, I wonder if the minister could indicate where in this year's expenditures budget he has budgeted his expenses for meals and restaurants, and how much that expenditure is and how much that is this year.

**Mr. Selinger:** Just before the official critic leaves, I understood at the beginning of this conversation we were going to have a global conversation. The member seems to want to focus on line-by-line treatment of my departmental Estimates. Are we now moving off the global treatment of the budget and getting into line-by-line? In which case, I am happy to do that, but I understood we were in a portion of the budget discussion where we could ask broad-ranging policy related questions, and now the member seems to want to focus right down into some nitty-gritty expenses, which are always available, but we are not necessarily geared up to give that specific detail if the member wishes to pursue it. I just want to know where we are going here. Could the critic let me know?

**Mr. Loewen:** Well, yes, I think, basically we are kind of on global questions. I assume the minister, given the officials he has here, would have some availability to give some specific numbers in terms of what his department has budgeted.

**Mr. Selinger:** I am simply trying to determine, are we moving into a line-by-line review of the Estimates now, or are we still on the global portion of the discussion.

**Mr. Loewen:** We are still on global.

**Mr. Selinger:** It would seem to me that that question is a specific line-by-line discussion of the budget. I am prepared to answer it, but we are moving into the detail of the departmental Estimates.

**Mr. Loewen:** Well, the minister said he is prepared to answer it. I would look for the answer.

**Mr. Selinger:** If the member is asking where do expenses come from for ministerial activities, it is on page 27 of the supplementary information, '05-06?

**Mr. Loewen:** Just in relation to that, I just noticed from Volume 2 of the Public Accounts '03-04, the government had an expenditure of over \$6,800 at La Vieille Gare for this particular department. I wonder, could the minister indicate to me what that expenditure was for?

**Mr. Selinger:** Could the member just clarify where he is getting that information from?

**Mr. Loewen:** Public Accounts year ended March 31, 2004, payments to corporations from the Department of Finance to La Vieille Gare for \$6,886. Just curious, what type of expenditures? It is on page 122, if that is of any help.

**Mr. Selinger:** I will take that question as notice and get back to the member as soon we can determine that. We do not have that volume here, and we will have to investigate what that specific is. I think I know what it is, but I would rather be certain about it before I give the information to the member.

**Mr. Loewen:** It seems to be strange if the minister cannot recall spending \$6,800 from his department at La Vieille Gare. If he has an idea of what it is, maybe he could just share it with me because it more pertains to where we are going with this budget year. I leave it open for him to correct Monday if, in fact, he gives me something that is a little bit wrong, but if he has a thought, as he said, as to what the expenditure was for, I would just be interested to know.

**Mr. Selinger:** I would prefer to give the member accurate information.

**Mr. Loewen:** Can the minister indicate how much has been budgeted to spend this year at La Vieille Gare?

**Mr. Selinger:** I am not aware of any planned expenditure at that institution.

**Mr. Loewen:** I will take it from that that the minister is indicating that this particular payment of \$6,800,

almost \$6,900 to La Vieille Gare was more of a one-time expenditure as opposed to an annual budgeted amount?

**Mr. Selinger:** That would be my understanding.

\* (11:50)

**Mr. Loewen:** I thank the minister for that. There is also an indication of a payment to E.D. Black Consulting for \$40,000. I wonder if the minister and his officials could indicate to me: (a) what that expenditure was for in '03-04; (b) if that is something that continue through this last year; and (c) where that would be budgeted for this year?

**Mr. Selinger:** I will take that as notice, as well, and get the information back to the member.

**Mr. Loewen:** Well, it is disappointing if the minister does not have these types of answers available to him.

There is another expenditure indicated to a firm, Pecaso Americas Incorporated, Lawrenceville, Georgia, of \$5,446 U.S. Can the minister indicate what that payment was for?

**Mr. Selinger:** My officials inform me of a couple of points. Even though the member is raising questions about the Public Accounts, which are properly dealt with at the Public Accounts committee, we are in Estimates, but we will show some latitude here, but we do not have all the specific information about the many dozens, perhaps hundreds of vendors that we deal with every year right at our fingertips. But we will take the question as notice, and any other questions the member asks, and try to get him the information.

**Mr. Loewen:** Well, it is disappointing that the member does not have more knowledge of where these departmental expenditures are going, particularly in light of the fact that we have seen a government who has been willing to spend \$17,000 on limousines in Georgia, you would think he would have some indication of what other expenditures are taking place. I am not sure if they are related or not. I will look forward to the minister's answer.

You know, these are questions that will help us to understand, and the reason I am asking them is to try and get a better handle on what expenditures are

budgeted this year within the minister's department, whether these are one-time payments or ongoing payments. Given that the minister seems reluctant to answer those at this time, I will look forward to his early response and hopefully we will get that first thing on Monday in terms of where those expenditures were, what they were for and if they are budgeted for in this year's budget figures.

Again, I am on page 121, I guess, of Public Accounts, but in particular, there is a payment there to former long-time civil servant, Charlie Curtis of \$12,000. Can the minister explain what services are being provided by Mr. Curtis to the Department of Finance for these fees?

**Mr. Selinger:** Again, we are dealing with Public Accounts matters as opposed to the Estimates, which is the proper focus of this meeting, but, in answer to the member's question, Mr. Curtis was an adviser to the Finance Ministry and often played a role in advising around public debt matters and the issues related to financing public debt. He is now fully retired, as of March 31, '04, and no longer receiving any remuneration of any kind from the Department of Finance.

**Mr. Loewen:** So, is the minister indicating that the final payments to Mr. Curtis were shown in the Public Accounts of March 31, '04, and there was nothing paid in '05 and nothing budgeted in '05-06 for Mr. Curtis's services?

**Mr. Selinger:** There is no budgeted amount in the '05-06 Estimates of the Department of Finance for Mr. Curtis.

**Mr. Loewen:** I thank the minister for that answer. That was half the question. The other half: Were there any expenditures in the year ending March 31, '05, relating to Mr. Curtis?

**Mr. Selinger:** The arrangement with Mr. Curtis ended March 31, '04. There were no expenditures that we are aware of in '05. There might have been some trailing expenses that he may have submitted. We will check the record on that, but the formal arrangement ended March 31, '04.

**Mr. Loewen:** I find it somewhat curious, because about somewhere in the last two to three weeks, I guess, just before spring break, I bumped into Mr. Curtis in the hallway coming out of the Finance

Minister's office. Was that more of a social visit or on some completely unrelated topic?

**Mr. Selinger:** I would hope the member would ask Mr. Curtis why he was here. I am not aware of why he was here. It is a public building. Anybody is able to enter the building and attend any of the ministers' offices, and I take it, as a member of the public, he decided to do that.

**Mr. Loewen:** Is the minister saying he did not meet with Mr. Curtis?

**Mr. Selinger:** No, I did not meet with Mr. Curtis. I should make one additional point. I myself bumped into Mr. Curtis, I believe, was it this week? It might have been this week, actually, in the hallway.

**Mr. Loewen:** I thank the minister for that. That is certainly helpful.

The minister indicated that they had spent some money purchasing new VLTs, and I believe the number was published in a couple of different places with different figures. Can you just clarify for me how much was spent on the purchase of the new VLTs?

**Mr. Selinger:** Normally, that would be a question answered by the minister responsible for the Manitoba Lotteries Commission, and we will have to seek that information out if the member wants to get an answer in this forum.

**Mr. Loewen:** Well, I merely asked, because the minister raised the issue in one of his previous answers while discussing debt, and he seemed to be fairly clear about how much the government had increased debt in order to purchase VLTs, so is he saying that he does not want to repeat that number? If he does not, that is fine, I guess. I then ask for him to bring that number back to us, but I am also very interested in the policy the government has with regard to its budget for the depreciation of that equipment.

**Mr. Selinger:** The item I put on the record was Lotteries debt of \$250 million. Lotteries debt, I think, increased \$250 million, of which \$170 million was off balance sheet prior to '98-99, so the difference between 170 and 250, \$80 million was for assets purchased by Manitoba Lotteries. I am assuming some of those assets were VLTs. We will get the

specifics for the member if he wishes, and the amortization schedule for those assets.

\* (12:00)

**Mr. Loewen:** So the Department of Finance cannot answer the question today what the depreciation policy is for VLTs?

**Mr. Selinger:** We will seek that information from the Manitoba Lotteries Commission which is responsible for the financing of those assets through their own revenues, and we will get that information for the member.

**Mr. Loewen:** With regard to the communications surrounding the Public Accounts, could the minister indicate to me where the responsibility lies for the issuing of press releases that accompany Public Accounts? Is that within his department or is that from the Premier's Office?

**Mr. Selinger:** The Minister of Finance is responsible for the communications on finance matters.

**Mr. Loewen:** Does that communication come from within the Department of Finance, or from a separate communications office within the minister's department?

**Mr. Selinger:** Staff prepares the basic information within Finance. There are two mechanisms for communications in government. There is a branch inside the Department of Heritage and Culture for communications, and they assign people to different ministries. There is also Cabinet communications, which has people assigned to different ministries.

**Mr. Loewen:** I guess I am looking specifically in two areas just to see where the budgeted expenditure is within the department. With regard to the minister's statement that accompanies the Public Accounts that are published every year, does that come from within the minister's office? Is that budgeted in there?

**Mr. Selinger:** My understanding is that the communications people for broader government communications are budgeted within the Department of Culture, Heritage and Tourism, and they have communicators that are made available to the various departments to work out their communications. In addition, Cabinet communications has people

assigned to the various ministers to work with them on their communications so I think the budgeting for that is in the Department of Culture, Heritage and Tourism and in Executive Council.

**Mr. Loewen:** Is there a charge back to the department for those communications services? How is that accounted for in the expenditures?

**Mr. Selinger:** Is the member asking me how this expenditure is accounted for in departmental Estimates? I think I have just indicated that they are accounted for in two places in the Department of Culture, Heritage and Tourism and in Executive Council.

**Mr. Loewen:** Just to be absolutely clear, that specifically deals with the statement that the Finance Minister signs as attributed to him that is in the leading pages of the Public Accounts, that are published on an annual basis?

**Mr. Selinger:** The minister's message that appears in the Public Accounts is prepared with Finance officials and the document is paid for through Finance budgets, this document.

**Mr. Loewen:** The press releases that are put out regarding those Public Accounts statements, are they prepared by the Department of Finance, as well, or are they through Executive Council?

**Mr. Selinger:** The information the press releases are based upon is provided through the Department of Finance. They prepare all the data. As I indicated earlier, there are communications people from Culture, Heritage and Tourism and from Executive Council that work with departments on things like press releases.

**Mr. Loewen:** So, just to make sure I have got it right, the information is provided by the Department of Finance, and then their communicators, whether they are from Culture, Heritage and Tourism or Executive Council, prepare the press release, and then are they given back to the department prior to distribution?

**Mr. Selinger:** I take responsibility for the communications and press releases that come out of the Department of Finance.

**Mr. Loewen:** Well in that case, I would ask the minister, is he concerned by the fact that the Auditor

indicated that the Department of Finance failed to provide key information and omitted any reference to the end results in the financial summary statements and its public discussion of the '03-04 Public Accounts?

**Mr. Selinger:** As I indicated earlier, I take responsibility for the communications that come out of the Finance Ministry and of the treatment that we used in this year for the Public Accounts was the treatment that had been in place since the beginning of balanced budget legislation. The Public Accounts themselves had more information with respect to the summary budget matters, and I communicated that to the media when I talked to them.

**Mr. Loewen:** So you did not feel in the communication that it was necessary to indicate to the public that, in fact, there was a \$604-million annual deficit that had been reflected in the summary financial statements? You felt that was information that the public did not have a right to know or did not need to know? I am just looking for a bit of an explanation as to why the Auditor would have to be the one to indicate to the people of Manitoba some time later that, in fact, statements came out of the department of which you are taking, I believe correctly taking, full responsibility for, omitted any reference to this very, very significant number.

**Mr. Chairperson:** Before we continue, just to remind the members, questions and answers have to be directed through the Chair. Otherwise, we will be establishing a new practice which is confrontational. Thank you.

**Mr. Selinger:** As I indicated earlier, the communications are the responsibility of the minister. They follow past practice since the inception of balanced budget legislation and, in addition, the Public Accounts had further information on a summary budget basis which I communicated to the media when I talked to them and was reported in the *Free Press* at that time.

**Mr. Loewen:** Well, the Auditor General has also indicated that in that communication the government conveniently forgot to mention, or to be more accurate, I would say purposely omitted mentioning, and I believe the Auditor would agree with that statement, that they had excluded \$71 million in emergency expenses when the minister published his statement regarding the '03-04 Public Accounts.

Is the minister concerned at all that there would be \$71 million that would just be left out of communications which he has admitted responsibility for?

\* (12:10)

**Mr. Selinger:** As I indicated to the member, the communications around the compliance with balanced budget legislation followed past practice. It was the law of Manitoba. It needed to be followed. The reference to the \$71 million was reported to the public by the Ministry of Finance. In addition, information about the Hydro losses was reported by Hydro through quarterly reports and reported by me in terms of the summary budget on the Public Accounts to the public and printed in the *Winnipeg Free Press*.

I know the member wants to pursue these questions of Public Accounts, and we are giving him a lot of latitude here. These are the Estimates for '05-06. I have not had one question on the Estimates this year. If the member wants to continue pursuing Public Accounts questions, I am prepared to go along with that for a while, at least.

**Mr. Loewen:** I can assure the minister that these questions not only pertain to Public Accounts and perhaps, if he took the recommendation from the committee and got his government to act on the fact that our Public Accounts Committee record in this province is embarrassing and did something about actually calling meetings of Public Accounts so we could deal with these issues, maybe we would not have to ask these questions at this point. They are particularly relevant because they will give me and others, I think, an indication of what type of process the government is using to prepare the Estimates of Expenditures for next year and whether, in fact, all the relevant information is in there.

I remind the minister that we have already had one of his colleagues, a minister of the Crown, indicate that when we did last year's Estimates, we were purposely told the wrong number. Maybe the Minister of Health (Mr. Sale) did not indicate to the Minister of Finance at the time. If he wants to claim that, then that is within his rights and something that I would definitely request that he take up with his Minister of Health.

When we have a government whose record is not to inform the public, and the Auditor has to

remind them that they did not inform the public of the true statements of exactly what, when he refuses in his communications, which he takes full responsibility for, he omits information that is of particular interest to the citizens of Manitoba. You combine that with the fact his own Minister of Health indicates that they purposely put a number in the budget which they knew they could not reach. Then I hope the minister understands why it is important for members on this side of the House to try and get a clear definition from him on exactly what type of policies his government is following when we are getting into the Estimates. We would like nothing better than to have accurate numbers in front of us so we can question the government on those numbers, but it seems that is something that is of no concern to this Minister of Finance.

I do not think there is a limitation on the time that I am allowed on my preamble. If there is, I am sure the Chair will remind me. The minister wants to question why we are asking these questions of him. I can understand why he would be embarrassed by them and feel sheepish by them. I think for the first time that I am aware of, the Auditor General has even had to take the word "fairly" out of his qualifying statement so this is very, very serious business.

With regard to the outcome of all this, does the minister believe all the numbers we have before us this year, in terms of his Estimates of Expenditure, are they, in fact, accurate numbers that we on this side of the House can count on, or is he aware of any numbers going forward, either in the revenue or expense side of his budgeting process? I use words quoted from his Health Minister, that are "purposely underfunded or misstated."

**Mr. Selinger:** The member quotes from the *Winnipeg Free Press* as if it was gospel. I should point out to them that a previous Minister of Finance in the former Conservative government said that "It is not uncommon with governments and public sector bodies that they do not abide by all aspects of generally accepted accounting principles." That was a statement by the former Minister of Finance, Mr. Stefanson, in the *Free Press*. I hope the member gives that equal weight to the quotes that he is using from the *Free Press*.

The member also indicates that the withdrawal of the word "fairly" occurred for the first time in the '03-04 Public Accounts. He was not here yesterday,

but I pointed out to the official critic for Finance that in the Auditor's Report of March 31, 2000, the Auditor states on page 17: "In the opinion paragraph of my Auditor's Report, I avoid referring to the presentation as fair, because these financial statements are not intended to reflect the financial results of government as a whole, and they are presented on a basis that varies significantly from appropriate and generally accepted accounting principles."

The most significant deviation relates to the exclusion of the pension liabilities at \$2.8 billion and the annual costs of \$146 million. So the word "fairly" had been withheld from the Public Accounts under the previous government. That was March 31, 2000, page 17. We addressed that concern that the Auditor raised at that time in our first year in government by putting in place a plan to deal with the pension liability, as well as responding to other recommendations the Auditor made at that time.

The word "fair" or "fairly," as an adjective, was returned to the financial statements until '03-04, when, as I have explained, the Auditor became concerned that the primary reporting vehicle should be the summary budget: financial results in public accounts, and not the legal requirements of the Province of Manitoba through legislation passed by the former government under balanced budget legislation, so I just need to correct the record on those points.

**Mr. Loewen:** Just curious, by the minister's statement. Maybe he could just clarify for me who was the Minister of Finance on March 31, 2000.

**Mr. Selinger:** Finance at that time was myself, but this report bore upon the budget year and the reporting in the previous year when the previous government was in charge of the finances of the Province. This is a report that directly bears on the activities of the former government.

**Mr. Loewen:** So is the minister saying that it was the former Filmon government that prepared the financial results for March 31, 2000? Did he give them that leeway even though he was Minister of Finance at the time, to allow? That would be a pretty strange precedent, to allow the defeated government to prepare their financial statements at the time when he was Finance Minister. Is he trying to absolve himself of any responsibility for preparing those statements?

**Mr. Selinger:** Financial statements had been prepared according to the past practices of the former government, and the Auditor had, for more than one year been concerned about the treatment of them. That was reflected in this Auditor's Report, and when we received this information, we acted on it.

\* (12:20)

**Mr. Loewen:** Apparently, you did not take enough action on it because, apparently, even for a second time, you are admitting when you, as a Minister of the Crown, as Minister of Finance, were responsible for the preparation of the financial statements, the Auditor General once again indicated that they were not necessarily being presented in a fair manner. It kind of takes me back to when Mr. Schroeder was the Finance Minister and the Auditor General refused to sign the statements, because of Mr. Schroeder's decision to, I guess, interfere in the preparation.

In any event, in an effort of trying to move this forward to 2005, does the minister still believe that the issuing of two sets of statements to the citizens of Manitoba, does he consider that to be appropriate in this day and age, for government to be using it as its policy to follow?

**Mr. Selinger:** By way of answering that question, after that March 31, 2000, Auditor's Report, we changed the way things were presented. In the March 31, 2001, Auditor's Report, on the audit of the Public Accounts, in his opening opinion the Auditor General stated, "In the opinion paragraph of my Auditor's Report referring to the previous year, I avoided referring to the presentation as fair because these financial statements are not intended to reflect the financial results of the government as a whole. However, beginning with the 2000-2001 annual report, the government has adopted a presentation format that clearly discloses the financial statements of the operating funds as special purpose. The title page to the financial statements is labelled 'Province of Manitoba Special Purpose Statements of Accountability for Stewardship of Central Government Operations and Balanced Budget Legislation'. Each of the pages in the financial statement is headed with operating fund and special funds, special purpose financial statements. As this clearly shows the special purpose nature of the financial statements, I did not provide additional description in my Auditor's Report of the special purpose nature of the

financial statements and referred to the presentation as fair."

So there were improvements made in response to the previous year's Auditor's Report, and I think it is important for the record to note that.

**Mr. Loewen:** I do not know what relationship that had to the question I asked, but in any event, I should indicate to the minister that on the Crocus Web site as late as last week, Charlie Curtis's résumé still indicated that he was a senior adviser to the Minister of Finance. Is the minister saying that is not accurate?

**Mr. Selinger:** It would appear that information is out of date.

**Mr. Loewen:** I wonder if I could ask the minister, then, if he would be willing to or have his department contact Mr. Curtis and ask him to update that information because it certainly is I think misleading to the department and misleading to the public to have an individual put themselves out as a senior adviser to the Finance Minister when, in fact, they have not served in that capacity for over a year, if that is the case.

**Mr. Selinger:** I will take that suggestion under advisement and make sure that anything I do cannot be interpreted by the member opposite as interfering in the investigations.

**Mr. Loewen:** The minister can try and minimize this whole sort of affair at Crocus as much as he wants, but I can assure him that there are 33 000 Manitobans and many others who take this issue very, very seriously. A big part of the problem is getting the facts right. It is just another case where the facts are wrong.

I would have thought that the minister would have at least at some point gone on the Web site to see what was there in an attempt to correct the record. This constant kind of innuendo from the minister that somehow we are asking him to interfere with the process is, I think, not only contemptuous of members but arrogant. It is also contemptuous for the unit holders who have just seen \$60 million of their wealth disappear.

Has the minister, while or since or at any time, and I will go back to 2002—hopefully, he will take

responsibility for the department at least from that point had any discussions with Mr. Curtis regarding what has transpired at the Crocus Fund?

**Mr. Selinger:** The member has made a number of statements about how we are treating this matter. We are treating it seriously, which is why we have given unfettered discretion to the Auditor to investigate what he wishes, and why we have left the quasi-judicial body of the Manitoba Securities Commission to carry out its work without interference. As I indicated to the member, I did bump into Mr. Curtis in the hallway and he indicated that he had a pretty tough week.

**Mr. Loewen:** The minister raised the issue of what can only be interpreted as a bit of a self-congratulatory statement that he issued a letter to the Auditor General. Could the minister indicate whether the Auditor General had requested that letter from him before he issued it?

**Mr. Selinger:** Yes, the Auditor General had requested that letter. He knew what the powers in the act were that we had given to him under the first revision of The Auditor General Act in 20 years. We have given him specific power to look into matters of this sort, but for greater certainty, he wanted the minister to ask him to do this investigation. We responded to that in a very timely fashion.

**Mr. Loewen:** The minister did not see any need for giving the Auditor greater certainty in December?

**Mr. Selinger:** As I indicated in the House yesterday, the new Auditor General Act that we put in place had the clauses put into it which allowed investigations into matters of this sort. That was the clearest statement ever provided in the history of the province on what the Auditor could do with respect to these types of matters. When the Auditor asked for greater certainty, we provided that to him.

**Mr. Loewen:** Well, just on that point, it is unfortunate, I think, again, for the unit holders. It shows the lack of interest and the appalling lack of oversight this government has shown in this case when, in fact, upon meeting resistance from Crocus and operating basically in a test-case scenario, the Auditor General had to once again, as we have seen in many cases, come back to the department, come back to the—sorry, not to the department, I apologize,

the member says department—come back to the minister and ask for this letter.

I guess a simple question to the minister is this: Why did it take the Auditor General coming back to request a letter? Why did he not just issue it in December?

**Mr. Selinger:** As I indicated to the member, we undertook a major overhaul of The Auditor General Act upon coming into government. We provided him with these additional powers and the additional clarity about what his powers were. The Auditor General himself supported this new act. It was passed by the Legislature and it gave the Auditor General unprecedented clarity as to what rights and responsibilities he had in the role of Auditor General of the Province of Manitoba. So there was, in my mind, no doubt about what his capacities were to investigate this matter. When he asked for greater certainty, he asked for me to authorize him to investigate it, we responded in a very expeditious fashion.

**Mr. Loewen:** Does the minister or any of his family either own now or ever owned shares in Crocus?

**Mr. Selinger:** I am not going to respond to that. I do not know that it is a relevant consideration to the matters at hand. I do not know if the member wants to make his own declaration about what ownership stake he might have in shares of Crocus Fund, but in my view, it is something I would have to consider very carefully before I start answering that question. Not that I have anything particular to hide, but I would like to understand the implications for all members of the Legislature before that question is answered.

**Mr. Loewen:** Well, to the minister, there is no ulterior motive other than a simple question which, quite likely, could have been answered with a simple answer, but as he chooses not to, we will move on to other issues and, I guess, I will repeat my question. You know, the minister has held the authority of the position he now holds, the Minister of Finance, since 1999. Does he still feel that it is appropriate and that it is in the best interests of the citizens of Manitoba to issue two sets of statements to the citizens of Manitoba? Does he think that it is appropriate, given the time we are in and the fact that he has had, you know, the reins of power in his office since 1999?

**Mr. Chairperson:** The time has arrived, but we will allow the answer as a matter of courtesy.

**Mr. Selinger:** First of all, all members in the Legislature have to put a conflict of interest statement on the record at the beginning of every session, and I would ask the member to check that. I have declared all my assets inside the province there, and he can check that, and he will discover very quickly whether or not I have any shares in Crocus Fund

Secondly, with respect to the question, we follow the laws of Manitoba with respect to balanced

budget legislation and, in addition, we are the first government in the history of the province to provide budget information on a summary basis, and we have improved that every year, including this year.

**Mr. Chairperson:** The hour being 12:30 p.m., the Committee of Supply will rise. Call in the Speaker.

#### IN SESSION

**Mr. Deputy Speaker (Conrad Santos):** The House is now adjourned and stands adjourned until Monday at 1:30 p.m.

**LEGISLATIVE ASSEMBLY OF MANITOBA**

**Friday, April 15, 2005**

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