

## LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, 9 May, 1985.

Time — 2:00 p.m.

**OPENING PRAYER by Mr. Speaker.**

**MR. SPEAKER, Hon. J. Walding:** Presenting Petitions  
. . . Reading and Receiving Petitions . . .

### PRESENTING REPORTS BY STANDING AND SPECIAL COMMITTEES

**MR. SPEAKER:** The Honourable Member for Burrows.

**MR. C. SANTOS:** Mr. Speaker, I beg to present the First Report of the Committee on Economic Development.

**MR. CLERK, W. Remnant:** Your Committee met on Thursday, May 9, 1985 at 10:00 a.m. in Room 255 of the Legislative Building to consider the Annual Reports of the Communities Economic Development Fund, Channel Area Loggers Ltd. and Moose Lake Loggers Ltd.

Mrs. Bernice O'Connor, Chairman of the Board, Mr. Hugh Jones, General Manager, Mr. Alec Musgrove, Assistant General Manager and Treasurer, and Mr. Michael Fisher, Receiver, provided such information as was required by Members of the Committee with respect to the Communities Economic Development Fund.

Information with respect to all matters pertaining to Channel Area Loggers Ltd. was provided by Mr. Lester Everett, Chairman of the Board, Mr. George Kemp, Manager, and Mr. Gordon P. Trithart, Secretary-Treasurer.

Mr. R.J. Kivisto, General Manager and Mr. Gordon P. Trithart, Secretary-Treasurer provided such information as was required by Members of the Committee with respect to Moose Lake Loggers Ltd.

The fullest opportunity was accorded to all Members of the Committee to seek any information desired. The Annual Reports of the Communities Economic Development Fund, Channel Area Loggers Ltd. and Moose Lake Loggers Ltd. were adopted for the fiscal year ended March 31, 1984.

**MR. SPEAKER:** The Honourable Member for Burrows.

**MR. C. SANTOS:** Mr. Speaker, I move, seconded by the Member for Concordia, that the Report of the Committee be received.

**MOTION presented and carried.**

### MINISTERIAL STATEMENTS AND TABLING OF REPORTS

**MR. SPEAKER:** The Honourable Minister of Agriculture.

**HON. B. URUSKI:** Thank you, Mr. Speaker.

For the information of honourable members, the University of Manitoba, Faculty of Agriculture, has supplied us with their copy of the 31st Annual Progress Report, dated January, 1985; and as well, the Manitoba Hog Producers Marketing Board wishes to have honourable members have this report for them, the 20th Annual Report for the year ended December, 1984.

**MR. SPEAKER:** The Honourable Minister for the Environment.

**HON. G. LECUYER:** Thank you, Mr. Speaker.

I'm honoured to present the first ever Annual Report of the Department of Environment and Workplace Safety and Health.

**MR. SPEAKER:** Notices of Motion . . . Introduction of Bills . . .

### INTRODUCTION OF GUESTS

**MR. SPEAKER:** Prior to Oral Questions, may I direct the attention of honourable members to the gallery. We have a delegation from Mexico, and I apologize in advance for the pronunciation.

There is the Honourable Olea and His Excellency Andres de Oteyza, Mr. Vidali, Dr. Marquez, Mr. Sainz, Mr. Jacques, Mr. Brooks, Mr. Smiley, Mr. Badani and Mrs. Schultzki.

On behalf of all of the members, I welcome you here this afternoon.

Also in the gallery there are 40 students of Grade 9 standing from the Glenwood Junior High School under the direction of Mr. Houssin, and they are from the constituency of St. Vital.

There are 15 students of Grades 5 and 6 standing from the Lavallee School under the direction of Mrs. Dion. The school is in the constituency of the Honourable Member for Riel.

On behalf of all of the members, I welcome you here this afternoon.

### ORAL QUESTIONS

#### Credit rating, Manitoba - additional cost to taxpayers

**MR. SPEAKER:** The Honourable Member for Turtle Mountain.

**MR. B. RANSOM:** Mr. Speaker, my question is for the Minister of Finance. For the second time in the term of this administration, the credit rating of Manitoba has been dropped. My question to the Minister of Finance is, since the government still has some 700 billion to 800 billion to borrow in this fiscal year, can the Minister of Finance give the House some estimate of what additional costs might be incurred by the taxpayers of Manitoba as a consequence of this reduction in credit rating?

Thursday, 9 May, 1985

**MR. SPEAKER:** The Honourable Minister of Finance.

**HON. V. SCHROEDER:** Thank you, Mr. Speaker.

I'm advised that we're looking at roughly a maximum of one-eighth of 1 percent in some markets. In a number of markets, the change will not have any impact whatsoever. Just to illustrate, today existing Manitoba bonds are trading in a fashion no different from the way in which they were trading yesterday in relation to any of the other provinces.

It has not had an impact and we can't find an impact on the other side, Mr. Speaker, because during the Roblin years, for instance, our credit rating with Moody's was below what it is today with Moody's; that is, from 1950 to 1974, we had a single A rating from Moody's; 1974, it went to A1; in 1975, it went to AA. It is now at A1, being above where it was during those years . . .

**A MEMBER:** Just answer the question.

**HON. V. SCHROEDER:** Well, Mr. Speaker, I think it's an important . . .

**MR. SPEAKER:** Order please. The Honourable Member for Lakeside on a point of order.

**MR. H. ENNS:** Mr. Speaker, the Member for Turtle Mountain asked a very specific question as to what additional costs the recent credit rating drop would impose on the taxpayers of Manitoba. We're not asking for a recitation of history dating back to 1974.

**MR. SPEAKER:** Order please. That is not a point of order.

The Honourable Minister of Finance.

**HON. V. SCHROEDER:** Thank you, Mr. Speaker.

The point I was trying to make is that in examining our borrowing records since 1974, we are unable to discern a positive impact on Manitoba in any significant way, of that particular change. One can presume that, similarly, coming back half a notch, as compared to where we were before 1974, also will have a fairly minimal impact.

In fact, in this particular year, on a very conservative basis, we're referring to one-eighth of 1 percent in some markets, specifically the U.S. markets, not the Japanese market, not the European market — (Interjection) — Do you want the answer? I believe there are Manitobans out there who are concerned. It's obvious that the Member for Sturgeon Creek isn't among them.

**MR. J. DOWNEY:** Call an election so they can put their concerns to rest.

**MR. SPEAKER:** The Honourable Member for Turtle Mountain.

**MR. B. RANSOM:** Mr. Speaker, the Minister of Finance is quoted as saying that it might cost an additional \$7 million a year this year for taxpayers in Manitoba. Upon what does he base that statement?

**HON. V. SCHROEDER:** Mr. Speaker, that was on the assumption that there would be no change in rates

and over the years, once one had the full amount of debt at the new rate. Because remember this year we still have - the bulk of our debt doesn't change in any way - all of the debt that's been incurred up until now as the member knows.

What we're talking about is any new debt or any renewals of existing loans and certainly in this current year it will not be \$7 million or anywhere near that. But at the outside limit some years down the line when all of the existing debt is renewed, it could theoretically go up to that amount.

I'll try to get a more specific number for this year. I believe that it would be probably well under \$1 million and that's considerably less than some other impacts that we have on a day-to-day basis.

**MR. B. RANSOM:** Mr. Speaker, since Manitoba has suffered two reductions in its credit rating in one term which I believe is unprecedented, it comes at a most inopportune time when the government is going to be borrowing \$3 billion to build Limestone, would the Minister consider that an additional borrowing expenditure of even fifteen-one-hundredths of 1 percent, which over the term in the Northern States Power contract, would add over \$120 million to the cost of borrowing, would the Minister consider that significant?

**HON. V. SCHROEDER:** No, Mr. Speaker, I wouldn't accept that at all. It assumes all borrowing being done at one time in a market where there is an impact and that's simply not something that I would accept as a number that would be anywhere near being accurate.

**MR. B. RANSOM:** Mr. Speaker, a further question to the Minister of Finance.

Does he not consider that a rating, a credit rating given to any borrower, whether it's the Province of Manitoba or a private corporation or the government or a country - does he not consider that that is significant? Because what the Minister seems to be telling us is that despite the fact that we've had two reductions in our credit rating, it's not going to make any difference to our borrowing cost. Does he not recognize the significance of an international credit rating?

**HON. V. SCHROEDER:** Mr. Speaker, many things go into rates other than credit ratings. I'll give two examples. One is the recent Canadian borrowing — (Interjection) — Could the Member for Sturgeon Creek just keep cool for a minute? One is the recent borrowing by the Province of Manitoba in the Canadian Capital markets, which came in at exactly the same time, on the same day, as the City of Toronto borrowing.

The City of Toronto borrowing was at a greater expense than the Province of Manitoba borrowing, but the City of Toronto has a AAA and the Province of Manitoba was, at that time, at AA.

Similarly, when we were borrowing in Japan recently, the identical thing happened with respect to a borrowing by the Province of Manitoba as compared to Air Canada. Air Canada has a better credit rating; the Province of Manitoba had a lower net effective rate of borrowing.

So these things are not necessarily identical. There are many other factors that go into these things other than one particular credit agency's rating of a province. Sometimes, those credit rating agencies have made some mistakes as to fact. Sometimes, they are not completely accurate in terms of their assessment of what is happening in a particular area, other times they are.

### **Credit rating, Manitoba - proposed changes to upgrade**

**MR. B. RANSOM:** I have a question for the First Minister, Mr. Speaker.

Given the fact that the credit rating has been knocked down twice during the administration of his government, largely as a consequence of the slow growth and high spending in this province, what does the First Minister propose to do to change the course of direction in this province and to stem this decline in the international credit worthiness of our province at a time that we are about to undertake a \$3 billion hydro-electric development?

**MR. SPEAKER:** The Honourable First Minister.

**HON. H. PAWLEY:** Mr. Speaker, the Honourable Member for Turtle Mountain bases his question on faulty premises. The A-plus rating announced by Moody's is not as a result of high spending and the honourable member knows that full well.

Mr. Speaker, this government is going to proceed along on a prudent course of action that will not respond to credit rating as though the credit rating companies are going to direct policy in the Province of Manitoba. They might very well do so, Mr. Speaker, insofar as honourable members across the way. I would like honourable members across the way to indicate what they would do, what taxes would they increase, what massive spending would they implement in the Province of Manitoba, what hospitals would they close, what schools would they close.

I think the questions that should be answered if honourable members want to raise government policy, in that they want to suggest they would do something differently is for them to indicate, Mr. Speaker, how they would deal with the present situation . . .

**MR. SPEAKER:** Order please.

**HON. H. PAWLEY:** . . . Mr. Speaker, let them not hide . . .

**MR. SPEAKER:** Order please.

**HON. H. PAWLEY:** . . . let them not hide behind a hidden agenda. I know they don't like having their hidden agenda raised in this Chamber, Mr. Speaker, but I will continue to raise their hidden agenda . . .

**MR. SPEAKER:** Order please.

**HON. H. PAWLEY:** . . . and challenge them to tell us what they would do.

**MR. SPEAKER:** Order please.

The Honourable Member for Turtle Mountain.

**MR. B. RANSOM:** Mr. Speaker, since during the period that this government has been in power, including this fiscal year, the government real expenditures have risen at a rate four times as great as the growth of the economy, the public service debt cost has gone from \$114 million to \$300 million. Does the First Minister consider that prudent management of the province's affairs?

**HON. H. PAWLEY:** Mr. Speaker, the Minister of Finance will be delighted to respond to the faulty premises that you're using in this Chamber.

**MR. SPEAKER:** The Honourable Minister of Finance.

**HON. V. SCHROEDER:** Thank you, Mr. Speaker.

I'm really surprised at this nonsense coming out of the mouth of the Member for Turtle Mountain. I'm quoting now from Moody's, the people who have decided to reduce the credit rating of the Province of Manitoba, on Page 1 of their report, "Revenues have increased modestly, although the province still has considerable flexibility in its future revenue options as the tax burden remains below that of many other provinces. The expenditure growth trend has been similar to that of the economy in recent years."

They go on to say, "The expenditure growth trend has been similar to that of the economy in recent years."

I'll go on. On Page 4 of the report, "Expressed as a proportion of gross domestic product, the provincial debt is nearly average for all provinces."

Page 11, "It is troublesome that there are," - and this is something that I have spoken about frequently, Mr. Speaker, quote, "It is troublesome that there are few signs of financial improvement despite a recent upturn in the economy. Revenues, especially corporate income tax, have not grown substantially. The province still has some flexibility in its future revenue options as its tax levels remain moderate by national standards. Expenditures have grown at levels similar to the economy in recent years and debt service levels remain satisfactory."

That's contained in that report and, Mr. Speaker, recently the Leader of the Opposition was addressing an audience in Winnipeg saying that what was needed about Manitoba and our economy is the truth. Well, the truth is, Mr. Speaker, that bunch is phony as a three dollar bill. He got up and said he was eliminating taxes and . . .

**MR. SPEAKER:** Order please, order please. I would remind honourable members that an answer to a question should not be a speech.

The Honourable Member for Turtle Mountain.

**MR. B. RANSOM:** A final question to the First Minister, Mr. Speaker. Is the First Minister content with the fact that his government is the only one that has suffered this reduction in credit rating, even though others were under consideration?

**MR. SPEAKER:** Order please, order please. Order please. The question asked for an opinion. If the

honourable member wishes to rephrase his question to seek information, he may do so.

**Debt - Manitoba's accumulated general purpose**

**MR. SPEAKER:** The Honourable Member for St. Norbert.

**MR. G. MERCIER:** Mr. Speaker, I have a question of the Minister of Finance with respect to the general purpose debt of the province, and that is excluding self-sustaining debt and Manitoba Hydro debt and other direct and guaranteed debt.

In the first 112 years of Confederation, Mr. Speaker, this province accumulated a general all-purpose debt of \$1.345 billion. Could the Minister of Finance indicate what the accumulated general purpose debt will be at the end of this fiscal year?

**MR. SPEAKER:** The Honourable Minister of Finance.

**HON. V. SCHROEDER:** Mr. Speaker, possibly I should send another copy of the Budget document over to the Member for St. Norbert. All those figures have been dealt with in that particular document and I indicated previously, quoting from Moody's - and we don't have to quote Moody's - we've been saying this for a long time that our debt, basically, is somewhere in the middle with respect to the provinces.

It's better than some and worse than others, and what it breaks down to is that the wealthier provinces have less debt - Ontario and those to the west of us - and the poorer provinces have more debt and that's basically the Maritime Provinces and the Province of Quebec. That's no secret; we've known that for a long time.

Mr. Speaker, there's a suggestion that we've had two drops in the credit rating from this agency. The agency waited several years after the other agency dropped the rating. That has happened in other jurisdictions as well. It's not something that is only happening to the Province of Manitoba; and to suggest that is so is simply, again, mistating history as the members opposite are so prone to do.

The Member for St. Norbert is moaning and groaning today about our debt. The other day he was in committee, Mr. Speaker, telling people that we shouldn't charge so much for Land Titles searches, shouldn't charge so much for liquor, we should charge so much for other services. He wanted more money for the women's services in the province because his federal compatriots were getting off of that particular set of funding and so. They want more spending; they keep asking for more spending, decreases in fees. They want to decrease taxes. They can't have it all those ways, Mr. Speaker.

**MR. SPEAKER:** The Honourable Member for St. Norbert.

**MR. G. MERCIER:** Mr. Speaker, the Minister of Finance neglected to answer the question.

Mr. Speaker, could the Minister of Finance confirm that the general purpose debt accumulated in the first

112 years of Confederation by the Province of Manitoba in the amount of \$1.345 billion will have been increased 150 percent under four years of New Democratic Party Government to a total of \$3.375 billion?

**MR. SPEAKER:** The Honourable Minister of Finance.

**HON. V. SCHROEDER:** Mr. Speaker, I'm not going to confirm anything that those people opposite suggest to me, but what I will confirm, Mr. Speaker, is that that group when they were in office, they ran for office on the basis that they would reduce our debt and during their term in office they significantly increased our debt. They ran for office on the basis they would decrease the deficit; in their final year of office, they had the largest deficit that had been accumulated by any government in the province until that time.

At the time we took over, the books . . .

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MR. SPEAKER:** Order please.

**HON. V. SCHROEDER:** . . . they handed to us in December of 1981 for the 1982 year showed a \$500 million deficit on the books at that time based on expenditure proposals asked for by the former Minister of Finance in April of 1981. It took them seven or eight months to get to over \$500 million of projected deficit.

Let not anyone suggest that that group could have done any better.

**MR. SPEAKER:** The Honourable Member for Turtle Mountain.

**MR. B. RANSOM:** A question to the Minister of Finance. Does the Minister of Finance know of any previous occasion other than for the fiscal year '83-84 when the Provincial Auditor refused to approve the accounts of the province?

**HON. V. SCHROEDER:** Mr. Speaker, we'll go over that very carefully this afternoon. In 1982-83 was the first year since before the Lyon Government took office that we had a certification without qualification of the books of the Province of Manitoba. The Auditor of the province said for the first time . . .

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MR. SPEAKER:** Order please.

**HON. V. SCHROEDER:** . . . since before the Lyon Government was in office that finally things had been done in the way that he had been asking that group to do over that period of time.

In 1983-84, Mr. Speaker, the Auditor told the government, told the public, that he would have certified the books in the same way he had done in the previous year had we referred to the combined Capital and Operating Deficit at the bottom line of the last page rather than the second from the bottom line. That number was there, Mr. Speaker, it was there even so clear that even a Tory could have found it, but the Auditor wanted it at the bottom.'

We said that there is a difference between Capital and Operating, as indeed, other groups quite frequently say. I have here a statement from Freda Ackerman, who is a Vice President of Moody's, who indicated some time ago, indeed, - I can't seem to locate it just now - but she clearly made the statement that there is a very distinct difference between Current and Capital Expenditures and they make the effort to separate those two out.

Maybe the members of the opposition don't, but when they don't do that, that's when they find savings by renting buildings from their friends rather than building office buildings. For instance, the one being a lower deficit for the one year . . .

**MR. SPEAKER:** Order please.

**HON. V. SCHROEDER:** . . . the other being a lower for all time.

**MR. SPEAKER:** Order please.

### **Oil and Gas leases - sale of**

**MR. SPEAKER:** The Honourable Member for Thompson.

**MR. S. ASHTON:** Thank you, Mr. Speaker.

My question is for the Acting Minister of Energy and Mines. I understand there were some encouraging developments out of the May 8th sale of oil and natural gas leases. I was wondering if the Minister could inform the Legislature exactly what the results were?

**MR. SPEAKER:** The Honourable Minister of Culture.

**HON. E. KOSTYRA:** Thank you, Mr. Speaker, and I thank the member for that question.

I am pleased to inform the member and the other members of the Legislature that yesterday's sale of oil and gas leases will generate \$2,145,959 in total revenue to the Province of Manitoba. This is an increase, Mr. Speaker, of 49 percent over the previous single sales record of \$1,440,000 which was set in October of last year.

**SOME HONOURABLE MEMBERS:** Hear, hear!

**HON. E. KOSTYRA:** The average price that was paid was \$236.39 per hectare, Mr. Speaker, which, for those who don't understand that, is \$90.60 per acre.

### **Taxes, Prov. of Man.- proposed**

**MR. SPEAKER:** The Honourable Member for Lakeside.

**MR. H. ENNS:** Mr. Speaker, I am tempted to ask how honourable members opposite voted on that measure when it last was before this House.

A question to the Minister of Finance, Mr. Speaker. Mr. Speaker, this Minister of Finance, having done away with the Hydro freeze, having introduced the payroll tax, having increased the sales tax, having increased all manner of other user fees in this province,

what new tax he is about to impose on the people of Manitoba?

**MR. SPEAKER:** The Honourable Minister of Finance.

**HON. V. SCHROEDER:** Mr. Speaker, I think the member is confused. He's not in Parliament, he's in Manitoba. There's a budget coming down in a few days in Ottawa.

### **V-E Day Reception**

**MR. SPEAKER:** The Honourable Member for Lakeside.

**MR. H. ENNS:** Mr. Speaker, obviously the honourable members don't want to answer the hard questions. I'll ask an easier question of the First Minister.

Some of us enjoyed the commemorative reception held in the building yesterday in recognition of the day, V-E Day. My question to the First Minister is, why is it that members only got invited at about 2 o'clock that afternoon when the First Minister was making his statement?

My other question is, why was the Lieutenant-Governor not invited? Was there any particular reason?

**MR. SPEAKER:** The Honourable First Minister.

**HON. H. PAWLEY:** Mr. Speaker, in regard to the second question, it wasn't Decoration Day as is May 26th, at which the Lieutenant-Governor will be present along with the government representatives. This was an informal government occasion.

Secondly, Mr. Speaker, if indeed the honourable member is complaining he didn't receive notice, then I suppose I must express regret to each and every member of this House if they didn't receive earlier notice in respect to the attendance.

I must say that I think the occasion went extremely well. I want to, at this point in time, Mr. Speaker, commend the veterans' organizations, the cadets and the representatives of the Holocaust victims that participated in the ceremonies, to ensure that V-E Day not remain unnoticed in the Province of Manitoba and we reconfirm our commitment as Manitobans, that what happened in the Second World War by way of death and destruction to the victims of the Holocaust must not happen again.

**SOME HONOURABLE MEMBERS:** Hear, hear!

**MR. H. ENNS:** Mr. Speaker, I raised the question only because it was drawn to my attention that with the excellent military band we had there, there was no playing of "The Queen" and some veterans missed it.

### **Provincial election - calling of**

**MR. H. ENNS:** My other question to the First Minister, Mr. Speaker, also has to do with tradition and custom. It's my understanding that Her Excellency, the Governor General of Canada, will be visiting Manitoba during the month of June. Tradition has it that elections aren't called when Governors General are visiting a province. Would it be the intention of this government to honour that tradition, Mr. Speaker?

**HON. H. PAWLEY:** Mr. Speaker, I thank the Honourable Member for Lakeside for drawing that to my attention. I gather he is quite desirous that I not break tradition and call an election during the time that the Governor General is present. I'll take that under advisement, Mr. Speaker, and I suppose only in the next few days will the honourable member know whether or not I would consider for a moment breaching that tradition.

### **Wife Abuse Program - advertising of**

**MR. SPEAKER:** The Honourable Member for Kirkfield Park.

**MRS. G. HAMMOND:** Thank you, Mr. Speaker.

My question is for the Minister of Community Services. In the May Reader's Digest, there's a page ad on the government's Wife Abuse Program and I was wondering if the Minister could indicate why the government is advertising a community service in a national magazine?

**MR. SPEAKER:** The Honourable Minister of Community Services.

**HON. M. SMITH:** Mr. Speaker, the placement of ads was based on some recognition of what magazines were most read by the target population.

**MRS. G. HAMMOND:** Another question to the Minister. Could she tell the House the cost of this type of ad?

**HON. M. SMITH:** Mr. Speaker, I'd be happy to take that as notice.

### **Manitoba Hog Stabilization Program - daily payout of producers**

**MR. SPEAKER:** The Honourable Minister of Agriculture.

**HON. B. URUSKI:** Thank you, Mr. Speaker.

The other day the Member for Arthur raised a question of me concerning daily payout from the Manitoba Hog Stabilization Program. Mr. Speaker, I wish to advise the honourable member that payouts are made on a quarterly basis from the plan and the last payout made was for the period of January to March, 1985, was for \$3.76 per cwt. This payout is based on the support price of 73.62 less the quarterly price of 69.86, the average quarterly price.

In total 1.257 million was paid to producers on 195,500 hogs. The proportion of premiums collected was on the basis of 2 percent government premium paid in and a 5 percent premium by producers.

The payouts in terms of the next quarter or the period that we're in, will, of course, not be calculated until the end of June when the average market price over the period of April till the end of June will be calculated. At that time we will know what the actual payout will be and how much will have to be payout in total, Sir.

### **Beaver dams - removal policy**

**MR. SPEAKER:** The Honourable Member for Swan River.

**MR. D. GOURLAY:** Thank you, Mr. Speaker.

I have a question for the Minister of Natural Resources. During the review of spending Estimates, the Minister indicated there was no change in policy regarding support services to municipalities experiencing beaver problems.

The RM of Swan River reported to me this week that local Natural Resources officials have indicated that due to lack of funding they have withdrawn the support in removing beaver dams from within the municipality.

I was just wondering if the Minister can now advise the House if there has been a recent change in a policy within his department?

**MR. SPEAKER:** The Honourable Minister of Natural Resources.

**HON. S. USKIW:** Mr. Speaker, I don't believe there has been, but I'll have to take that matter under advisement.

**MR. D. GOURLAY:** I thank the Minister and look forward to hearing from him later.

### **Salt Point Tourist Lodge - building of road**

**MR. D. GOURLAY:** I have a further question to the Minister of Northern Affairs. In view of the fact that we probably won't be into the review of spending Estimates of that department for a few days yet or maybe a few weeks, I wonder if the Minister can advise whether his department contemplates building a road into the Salt Point Tourist Lodge for this season?

**MR. SPEAKER:** The Honourable Minister of Northern Affairs.

**HON. H. HARAPIAK:** Yes, Mr. Speaker, the Department of Northern Affairs is at this time in consultation with the Department of Highways compiling a list of roads that we're building on the resource roads and that is not completed at this time.

### **Comm. for Man. Constitutional Amendment - funding to**

**MR. SPEAKER:** The Honourable Member for Elmwood.

**MR. R. DOERN:** Mr. Speaker, I'd like to direct a question to the First Minister in reference to a phantom organization of some one to two years ago called the Committee for Manitoba's Constitutional Amendment, was there any provincial funding of this organization?

**MR. SPEAKER:** The Honourable First Minister.

**HON. H. PAWLEY:** Mr. Speaker, I'm afraid the honourable member will have to clarify or elaborate what committee he's referring to. I gather that committee was included in the Order for Return and I'm advised that we couldn't identify the organization that the honourable member was referring to.

**MR. R. DOERN:** Mr. Speaker, I've been waiting for well over a year for a response. I'm simply asking the First Minister if he can indicate to the House - he did respond previously to a question about funding for Manitoba 23 from the Honourable Member for St. Norbert. I'm asking him of a similar organization that sprung up during the Winnipeg plebiscite called the Committee for Manitoba's Constitutional Amendment, whether the government provided any funding for that organization.

**HON. H. PAWLEY:** Mr. Speaker, I'm afraid that it's as phantom to me as it is to the Honourable Member for Elmwood. If the Honourable Member for Elmwood wants to provide us more detail, then we could look into it, but at the moment, it's just as phantom to me as it is so acknowledged to be by the Member for Elmwood.

**MR. R. DOERN:** Mr. Speaker, my reference to "phantom" is, people didn't know where the money came from or who some of the principals were. However, that did not preclude them from buying thousands and thousands of dollars worth of advertising.

### Address for Papers - SFM and Manitoba 23

**MR. R. DOERN:** Mr. Speaker, my final question is to the House Leader, namely, that I submitted an Address for Papers in regard to this organization and the SFM and Manitoba 23, January of 1984, the House Leader indicated that he now had clearances from those organizations several months ago. What is the problem? What is the holdup? When will that Address for Papers finally be given to the House?

**MR. SPEAKER:** The Honourable Government House Leader.

**HON. A. ANSTETT:** Thank you, Mr. Speaker.

Mr. Speaker, I wish to correct the honourable member. I, at no time, suggested that all the clearances had been obtained, in fact my last answer to him was that that is what we were in the process of doing. Third party clearances, all the correspondence and documents have been identified, and we are in the process of obtaining third party clearances. The honourable member will understand that that does take some time on occasion.

We also had some difficulty, Mr. Speaker, and I did identify that when the Address was accepted, with identifying one of the phantom organizations that the Honourable Member referred to in his Address for Papers. We're still having that difficulty, and if the honourable member is aware of some secret or phantom organization, as he calls it, and could assist us in preparing the Address for Papers, I'll gladly accept that information from him.

**MR. R. DOERN:** Mr. Speaker, by way of providing assistance, if my memory serves me correctly, the only person identified with that particular organization, that Manitoba Committee for Constitutional Amendment, etc., was Yude Henteleff. I believe Mr. Henteleff identified himself with that organization and, Mr. Speaker, I must say that I find it impossible to believe that it's taking 15 months to get a clearance for such matters.

### Casino - study re revenue implications of 200-day operation

**MR. SPEAKER:** Oral Questions.

The Honourable Member for La Verendrye.

**MR. R. BANMAN:** Thank you, Mr. Speaker.

I direct my question to the Minister responsible for Lotteries and would ask him, in light of the fact that the Lotteries has built up permanent staff now for casino operating, security, and managerial staff and are still advertising for additional staff, which runs now into the hundreds of thousands of dollars as far as full-time employees, I wonder if the Minister could inform the House whether he or his predecessor commissioned and has received a report which would indicate the revenue implications of running a casino 200 days a year?

**MR. SPEAKER:** The Honourable Minister of Culture.

**HON. E. KOSTYRA:** Thank you, Mr. Speaker.

I'm not aware of any study that's been taken with respect to looking at what the member is suggesting, which would be a massive increase in the number of casino days, because at the present time, there is a maximum of 90 casino days that are licensed for operation in the City of Winnipeg and this government has no intention at the present time, of doing what the member is suggesting to increase it to anything like he has suggested, not at all, Mr. Speaker.

**MR. R. BANMAN:** I would ask the Minister, since he suggested that there are imputed motives for my asking the question that I wanted to increase it, to the contrary, my response to that of course is well known. I would ask the Minister whether or not he would inform the House as to whether the number of people that have been hired as full-time operators of casinos, whether those people are being asked to perform other duties within the lotteries field, other than just the duties that they were hired for?

**HON. E. KOSTYRA:** I'm afraid I can't answer that question. That kind of detailed question is more appropriate asked when we will have the opportunity, through the Estimates process, to have staff available and have detailed questions on the operations of the lottery and I'd be pleased to answer those questions at that time and provide the member with all the information that he is requesting with respect to the operations of the casinos and the Lotteries Foundation.

What I can tell the member is that the casinos that have been operated by the Manitoba Lotteries Foundation in co-operation with the charitable umbrella groups that have been put in place by this government have ensured that there has been increased revenue to those charitable organizations that have participated in those casinos.

**MR. R. BANMAN:** I have some further questions to that with regard to how the casinos are being run and how the funds are being distributed, and will get into that during the Estimates.

But I would ask the Minister further, in light of the fact that the government has expanded casinos to start

now at 11:00 o'clock in the morning, will the government undertake to reduce the number of hours that the casinos are operating, in other words, to start later on in the afternoon, rather than enticing people to start early in the morning to gamble?

**HON. E. KOSTYRA:** Mr. Speaker, I believe 11 o'clock is late in the morning, not early in the morning, at least the hours that I put here, 11 o'clock I consider late in the morning.

The situation is as it is at the present time, where we do allow a maximum of 90 days for the operation of casinos, the adjustment in hours was made to ensure that those casinos operate in the most efficient and most productive manner for the charities that are involved so there is no intention to alter any of the other conditions of the operations of the casinos.

### **Industrial Mill Installers - status of company**

**MR. SPEAKER:** The Honourable Minister of Business Development.

**HON. J. STORIE:** Thank you, Mr. Speaker.

Yesterday I took as notice a number of questions from the Member for Minnedosa, the first of which was a question with respect to Industrial Mills Installations. I had indicated that IMI had in fact completed their work at Manfor - that is the case.

The second question was with respect to guarantees. A performance bond is in place and remains in place for a considerable length of time in the event that there should be some flaws in the workmanship or the material.

With respect to his final question as to why all of those companies in B.C. went into receivership, I can only speculate that it's the disastrous economic policies of that government.

**MR. SPEAKER:** Order please.

The time for Oral Questions has expired.

### **ORDERS OF THE DAY**

**MR. SPEAKER:** The Honourable Government House Leader.

**HON. A. ANSTETT:** Thank you, Mr. Speaker.

Mr. Speaker, would you please call Bill No. 12 for second reading?

### **SECOND READING**

#### **BILL NO. 12 - THE CHILD AND FAMILY SERVICES ACT**

**HON. M. SMITH** presented, by leave, Bill No. 12, The Child and Family Services Act; Loi sur les services à l'enfant et à la famille, for second reading.

**MOTION presented.**

**MR. SPEAKER:** The Honourable Minister.

**HON. M. SMITH:** Mr. Speaker, I'm very proud today to table a major piece of social legislation, The Child and Family Services Act.

This act is the culmination of three years of review and reform in the Child and Family Services system. This government has progressed along a path of review and reform, which puts us in the forefront of social policy in the area of services to children and their families.

The first step was the finalization of the tripartite agreements and the development of Indian agencies throughout the province. These agencies have assured the involvement of Native communities in resolving their own family problems and we are already seeing promising results from this initiative.

The second step was the regionalization of Child and Family Services in the City of Winnipeg. This decentralization was a step long overdue, Mr. Speaker. Our new community-based agencies will result in greater access to community resources and supports, better public relations, greatly expanded volunteer participation and, ultimately, more effective cost control.

The next step in this process of reform is the tabling of this act today, Mr. Speaker. This bill is a significant step forward for Child and Family Services legislation in Manitoba. I'm confident it will become a model for progressive legislation in its field throughout Canada for a good many years to come.

It reflects improvements in current practices and recent developments in the operation of Child and Family Services in Manitoba. There are a number of new provisions, but the bill also clarifies, consolidates and improves current legislation in several areas.

The bill is the result of more than three years of research and consultation with interested persons and groups in the field of child welfare. A Committee of Departmental and Agency Members worked for more than two years and received a large number of briefs from all over Manitoba. Judge Robert Carr carefully reviewed The Child Welfare Act. The process leading to the tabling of this legislation included a consultation paper issued last July by my department and widely distributed to interested parties.

I met with representatives of a number of key organizations in Child and Family Services to discuss their concerns, suggestions, and recommendations. Many of their suggestions have been incorporated into this bill and I wish to thank and acknowledge the contributions of all those groups that responded to the consultation paper.

This bill also establishes in legislation, several fundamental recommendations of the Kimelman Review Committee on Indian and Metis adoptions and placements.

Mr. Speaker, I would like to outline some essential elements of the bill. A fundamental aspect of this legislation is the Declaration of Principles. Honourable members will recognize that, on the whole, the declaration embodies the traditional principles governing Child and Family Services practice. It stresses first the best interest of the child as the primary concern of the whole Child and Family Service system. It sees the family as the basic unit of society, which is vitally important because most work in Child and Family Services relates to helping families carry out their responsibilities.



The declaration reflects the principles that have been a part of the current Child Welfare Act for more than a decade including the long-time bedrock principle of Child Welfare practice that the best interests of the child are a fundamental responsibility of society.

It also incorporates others more recently adapted to Child Welfare practice in Manitoba, notably, those concerns relating to services to Natives. The Declaration of Principles is meant to support the act's intended balance of focus on children and families. It will also help develop agency policy, serve as a guide to the interpretation of the act and assist in judicial and administrative decision-making.

In addition, Mr. Speaker, the bill places new emphasis on services to families. This reflects the belief that this government, and of the agencies, that children can be protected best when there is a continuum of service from parent education through counselling and support, homemaker and day care, to protection of children and adoption. If all the elements are not present, the service becomes focused on crisis intervention, which is the most costly and frequently the least effective kind of service.

This bill extends the groundwork laid in the 1974 act and draws on the experiences of other provinces. By stressing the provision of preventive services, our Child and Family Services system will now offer supports to families and children at risk and will frequently avoid the need for more costly and disruptive types of care. However, we have retained and improved provisions for apprehension of children from their homes when there is serious risk to their health or safety.

We have also incorporated cultural and linguistic factors throughout the act, notably, in definitions of "family" and "best interests of the child." This reflects the needs and wishes of Native people and the role of culture in the lives of families throughout the province.

Mr. Speaker, I should like to draw the attention of honourable members to some changes in the structure of the act and discuss some sections that we consider most noteworthy.

Changes in definitions will include extended families within the range of families served by agencies, provide a clearer legal basis for the position of Native agencies and Native practices in child care and allow inclusion of the Native placement procedures concerning adoption and foster placements as a regulation.

In Section 4.1(f) the Director of Child and Family Services is given new powers to hear and receive complaints from persons affected by administrative actions of an agency. Under Section 4(2)(d), the Director may establish boards to hear those complaints. Unresolved disputes may, of course, still be taken to the Ombudsman, the Minister or the courts.

The duties of agencies, in Section 7, are broadened to give a stronger emphasis to family, preventive and outreach services and permanency planning for children in care.

Part 2 in its entirety addresses services to families. This reflects the commitment of the government and of Manitoba's child caring agencies to protect and enhance family control over family affairs as much as possible. The new act will limit the ability of government to intrude in family affairs except when children are likely to be endangered.

In The 1974 Child Welfare Act, a number of voluntary services were included. Among these were day care,

homemaker placement, temporary care placement agreements, and voluntary surrender of guardianship. These services, other pertinent sections that the current act and some new sections have been brought together in a separate part devoted to services to families.

Section 9(1) provides that families in difficulty may apply for agency help and assistance such as counselling, guidance, supportive educational and emergency shelter services and I quote: ". . . in order to aid in the resolution of family matters, which if unresolved, may create an environment not suitable for normal child development or in which a child may be at risk of abuse . . ." "Clearly, we want to support families before, not after a serious breakdown.

In Section 13(4), agencies are given authority to place a parent aide in a parent's or guardian's home, with their consent, to give training in homemaking and child care. This section will also give legal status to a highly successful Parent Aid Program now operating in Winnipeg.

In Section 14, agencies are given extended authority to enter into and renew voluntary placement agreements with respect to physically and developmentally disabled or older children beyond the control of their parents until the child is 18.

Under current legislation, such agreements cannot be extended beyond two years. Mr. Speaker, this will allow parents of disabled children to access services out of the home without losing the guardianship of their children. The members present today who all have in their constituencies families who require help with the care of disabled children will know how important it is for families to retain the guardianship of children who, for reasons of health or disability, are receiving care outside of the home.

Part 3, which deals with Child Protection gives wider scope to the courts in handling protection matters. Throughout the act, provision is made for uncontested court hearings to be heard by a Master of the Court of Queen's Bench in the Eastern Judicial District, instead of by a judge of that court. Appeals from a Master's decision may be made to a judge.

This part also incorporates more comprehensive protective services for children at risk, related particularly but not restricted to child abuse. Honourable members will remember, Mr. Speaker, that last year this House enacted a number of strong provisions for dealing with child abuse. In keeping with our commitment to protect children from abuse, those provisions have been retained in this bill.

As part of strengthened provisions concerning the reporting of child abuse, the act will give the Director of Child and Family Services authority in Section 18(3) to report to a professional body, a member of that body who has failed to comply with requirements to report suspected abuse. The professional organization is required to investigate the matter.

Section 20 allows an agency to apply for a court order to have a child abuser cease to live in the same premises or have contact with the abused child, instead of removing the child. This provision has been in the New Brunswick legislation for some years and has allowed courts to remove the abuser, rather than the child. We are including this provision in our act.

Persons such as members of extended families who have had a long-term significant relationship with a

child are given the right, in Section 31, to apply for status in protection hearings and to become parties in the proceedings if the court grants status. This bill provides for increased involvement and participation of children in court hearings that affect them.

Section 33(2) provides that children over 12 will be notified about, and generally required to be present, at such proceedings. Judges may appoint counsel for a child if this is deemed necessary. This legal representation is a continuation of the current provision.

In Section 45(3), parents whose child or children are under permanent guardianship, but not placed for adoption, may annually apply to the court for termination of guardianship.

Part 4, on Children in Care, combines a number of sections from the current act, with new provisions to form a separate part. Foster parents will be able to request review of reasons for removal of a foster child from their home, under Section 51(2). They may appeal these reasons to the Director of Child and Family Services for a second review.

A significant addition to the act is Section 54, under which the Director of Child and Family Services shall annually review the placement, care and treatment and the permanency plans of every child in agency care. This section has been added in response to concerns and requests from the community and will ensure that much closer attention is given to the status of all children in agency care.

Part 5, on Adoptions, is a reorganization of adoption legislation, Mr. Speaker, in response to the expectations of society and in the light of experience in the field in the past 10 years or so. The sections on adoption have been rewritten and clarified. They also consolidate the recommendations of the Carr Report that we implemented two years ago. This part covers a number of types and means of adoptions, adoption by a husband and wife, adoption by long-term common law spouses, adoption by single persons, adoption by the spouse of a natural parent, extended family adoptions, international adoptions, adoptions through an agency, private adoptions, de facto adoptions, adoption of an adult and subsidized adoption.

Section 61(1) will provide that, for all purposes of Manitoba law, adopted children and their adopting parents will be considered to have the same relationship to one another as if the children had been born to the parents.

New provisions under Section 68 will give parents the right to place a child for adoption within their extended family without notification or approval of the Director of Child and Family Services. However, an Order of Adoption from the court is required. This right extends to parents who are minors. Other private adoption placements generally may be undertaken only by adults and only with the prior approval of an agency.

Section 68, Mr. Speaker, was included at the request of the Native community and is closely related to their adoption practices over many generations.

The Post Adoption Registry, Section 74, is being expanded. Mr. Speaker, it will now include registration by adult adoptees, biological parents and adult siblings. This change is being made in response to requests made almost daily by adult adoptees to the Child and Family Support Directorate and agencies throughout the province. They're seeking help in tracing their

biological families. We decided we should broaden the provisions governing the registry to better accommodate the feelings of adult adoptees and their biological families. The changes, basically, are an adaptation of provisions found in Saskatchewan legislation.

The Director of Child and Family Services will now be responsible if an adult adoptee so requests for trying to contact immediate members of an adult adoptee's biological family, to facilitate contact if those family members wish it. I stress that the director will not seek unregistered adoptees upon request of biological parents or siblings.

My officials have been in touch with Saskatchewan officials who have been administering such a provision for three years. They find the provisions a reasonable way to meet the needs of adoptive families, adult adoptees and biological families.

Section 76, on Confidentiality and Access is a completely new section. Concerns had been raised by the community about these issues over the years. With the introduction of voluntary family counselling in the Child and Family Services system and with ever-growing concern about privacy in files, new provisions were clearly required.

Information from voluntary service records will be confidential and may be shared outside the agency only with client permission. This will give voluntary Family Services clients, where there is no allegation or reason to suspect neglect or abuse, the same confidentiality as for medical files. These safeguards represent the evolution of the Child and Family Services system into a fully professional service.

The information provisions of the bill will, upon proclamation, give voluntary clients and adult ex-wards access to their files or copies of their files. This access will enable many ex-wards to deal with their past more effectively. It is a process which produces emotional health and growth.

Mr. Speaker, we are aware that providing such access will be a new step for some of the Child and Family Services system. This section will therefore not be applied retroactively. Summaries of existing files will instead be made available on request to ex-wards. As well, third parties such as professional consultants, and persons who gave information in confidence to the system, will be protected, and this information will not be shared. Similarly, to safeguard the legal process, child protection files will remain closed.

The objective of these provisions, Mr. Speaker, is to protect the privacy of children who are former wards of the system and of families voluntarily receiving services from an agency when there is no protective concern regarding their children.

We are following standards similar to those of other professional services in assuring adults access to their records and in making agency records much more confidential.

Another aspect of this bill deserves special consideration, Mr. Speaker, the place of services, procedures and relations with Native and Native agencies.

First, the principle of the best interests of the child will include cultural and linguistic considerations. This is provided for throughout the act.

Second, the unique characteristics and structure of Native extended families are recognized.

Third, the tripartite nature of jurisdiction and responsibility for services to status Indians in Manitoba; namely, Indian bands and their agencies, the Federal Government and the Province, is incorporated and reflected in special sections or modifications of existing provisions.

Provision is made for existing tripartite agreements with the Federal Government and Indian bands respecting Indian Child and Family Services. Provision is also made for entering into new agreements. Certain powers of the province respecting the corporate affairs of agencies will not apply to reserve-based agencies, although these agencies are subject to provincial authority, concerning their standards of service. Agencies serving Indian bands are to be notified of protection hearings concerning status Indian children.

Mr. Speaker, in 1982, our government placed a moratorium on out-of-Canada agency adoptions. We are well aware that this past practice was one with the best of intentions, but in reality, it resulted in shocking dislocation and the absence of any family stability for many Manitoba Indian children. Today, approximately the same number of Indian children await adoption as before the moratorium. Mr. Speaker, Manitoba's Native people have met the challenge and have proven that their communities and families will be strengthened and enhanced when they are given the power to resolve their own problems. In view of this, this act makes the moratorium permanent by law, allowing exceptions only in special cases by a specific individual Order-in-Council.

Fourth, the bill recognizes the new role of Native agencies and the commitment of Native communities to operate Child and Family Services in accordance with their traditions and community life. Our experience has been that the development of Child and Family Services to Indian bands has been aided immensely by the work of the chiefs and band councils in adapting services to the requirements of their people and in working with their people to implement them on the reserves.

We believe, Mr. Speaker, that this bill will strengthen community-based Child and Family Services in Manitoba. It will support the efforts of our child-caring agencies to keep children and families together in the community by strengthening the available options to taking children into care.

At the same time, it offers better service for those children who require an agency's care and protection. This bill reflects the efforts of this government to redirect Child and Family Services as well as the efforts of the community and of child caring agencies.

The bill charts the firm course that Manitobans of all ethnic groups and cultures want their Child and Family Services to take.

I commend this bill to honourable members.

**MR. SPEAKER:** The Honourable Member for Fort Garry.

**MR. C. BIRT:** Mr. Speaker, I move, seconded by the Member for Niakwa, that the debate on this bill be adjourned.

**MOTION presented and carried.**

**MR. SPEAKER:** The Honourable Minister of Finance.

**HON. V. SCHROEDER:** I move, seconded by the Minister of Business Development and Tourism, that Mr. Speaker do now leave the Chair and the House resolve itself into a Committee to consider of the Supply to be granted - I'm sorry, before I do that, I understand there might be desire to dispense with Private Members' Hour at 4:30 today?

**MR. SPEAKER:** Is there leave to dispense with Private Members' Hour today? (Agreed) Leave has been given.

**HON. V. SCHROEDER:** I move, seconded by the Minister of Business Development and Tourism that Mr. Speaker do now leave the Chair and the House resolve itself into a Committee to consider of the Supply to be granted to Her Majesty.

**MOTION presented and carried** and the House resolved itself into a Committee of Supply with the Honourable Member for River East in the Chair for the Department of Finance, and the Honourable Member for Burrows in the Chair for the Department of Business Development and Tourism.

### **CONCURRENT COMMITTEES OF SUPPLY SUPPLY - BUSINESS DEVELOPMENT AND TOURISM**

**MR. DEPUTY CHAIRMAN, D. Scott:** Committee, come to order. The committee is going to start the Estimates Review for the Department of Business Development and Tourism.

The Minister, Mr. Storie, has an introductory statement to make.

**HON. J. STORIE:** Thank you, Mr. Chairperson.

It's my privilege to be here to review the Department of Business Development and Tourism Estimates for the coming fiscal year. Before we begin, as is customary, I would like to put a few remarks on record. I'd like to begin by framing, in my view, the small business context.

The last number of number of years have been tumultuous ones, to say the least, and have been difficult ones for small business in particular. We have come through a recessionary period which has had a dramatic impact on business across the country.

I think that it's fair to say that small business, more than most business, because of its resilience has responded quite well to the recession. That doesn't mean to say that it hasn't left scars. I think foremost in the minds of small businessmen today is the concern about rising interest rates and the fluctuation of interest rates, but I think there are positive signs that interest rates are going to modify, stabilize somewhat. I believe that on the whole small business, and therefore Manitoba, has reason to be optimistic.

In general terms, while the Canadian economic recovery remains in question, I think Manitoba's record of success in rebuilding our basic industries and laying the foundation to strengthen the economy is evident by the economic expansion which took place in virtually all major industrial sectors of our economy in 1984.

Manitoba's employment growth rate is more than triple the national rate in comparison with pre-recession employment levels. Some 12,000 more Manitobans are now working than in mid-1981. Our province, with just over 4 percent of Canada's population, has accounted for over 13 percent of the new jobs. In contrast, in five provinces, there are fewer jobs than prior to the recession.

I suppose of more interest to the small business people of the province is the Statistics Canada outlook for 1985, which indicates that for the third consecutive year there will be strong investment performance, in fact the best overall capital performance of all the provinces.

I think that it's important to note that that investment confidence, I will call it, goes across sectors. We find that the primary sector saw an 11.6 percent increase in investment in 1984; and the projections are for a further 6.4 percent growth. Manufacturing saw a 30 percent increase in 1984; and the projections are for a 21.6 percent growth in 1985. The transportation, communication and utility companies saw an 8.8 percent growth in 1984; and are looking to a 5.7 percent increase in 1985. The trade, finance and commercial segment of the economy saw a 20.4 percent growth in 1984; and it's projected that that growth will continue at the rate of approximately of 16.6 percent.

The Provincial Government, in carrying out its mandate to support the development of our important basic services is also increasing its capital investment in the province substantially. I suppose if you couple that with the growth in housing, the growth in mineral exploration, the growth, in particular, in our investment in oil and gas in the province, the investment in mining, mineral extraction in the North, one can only conclude that the province, far from being stagnant, has been and continues to be in the positive mode.

I think that augurs well for small business and I think small businessmen sense that they have an excellent opportunity to tap into some of the major economic expansions that are occurring in the province, whether that be Limestone or whether that be oil exploration and development, whether that be potash or whatever.

I should say that the private sector has certainly shown their share of confidence in business in the province. Private sector investment increased 9.8 percent in Manitoba last year, which is nearly three times the percentage increase in Canada as a whole. So clearly, if investment intentions are any indication of the confidence the private sector has in Manitoba, that confidence is growing.

I will be making some further comments on the other side of the department, the Tourism side, and I think that, all in all, the statistics, the economic indicators for that particular segment of our economy are equally as positive.

If I could just leave that aside for a moment and deal somewhat further with the activities of the Small Business Development section of the department, I think that it would be fair to say that we had an exceptional year and look forward to continuing in our role of supporting small business activity throughout the province. We provide support in a whole range of ways that go from individual counselling to design assistance and I'm sure that we will have time to discuss those individually as we proceed through the Estimates process.

In terms of strictly information, over the past couple of years, the Department of Business Development and Tourism has responded to more than 22,000 requests for business information. We have provided consulting services to more than 3,000 clients. We provide a number of services, including crisis support and have instituted a Small Business Newsletter which is received by approximately 30,000 individuals in the province.

We have also developed with the Manitoba Design Institute, the Premier's Design Awards Competition, which has been extremely successful and a credit to the Manitoba Design Institute. They are working on what I believe will be a phenomenal awards ceremony later on in 1985 which will encompass the thoughts and the input of an international group of individuals.

A number of new initiatives have been added to the department's responsibilities with respect to small business. They include a Community Development Program which is going to work in concert with our recent thrust in the Regional Development Corporation area, and a new initiative which deals with, what we call, threshold companies.

If I might expand for a minute on the idea of our initiative with threshold companies, there are a number of Manitoba companies who by reason of the fact that they have a particularly well designed product or because of their particular circumstance in the market have an opportunity to be growth companies. The department intends to be working with a number of Manitoba businesses to see if we can turn that potential into real jobs, into real opportunities for more Manitobans by expanding the horizons of those companies.

Programs like the Gain and Equity Sharing Program which have received, albeit slow recognition have, nevertheless, received important recognition and I believe will be a source of inspiration for working people and for companies who take advantage of that program. I will be speaking I'm sure at length at some later time about the Youth Entrepreneurship Program and its complementary program the Youth Business Start Program.

The department also has held in '84 and will be supporting again a Career Symposium which is designed to make young Manitobans familiar with the role of small business in the province. I had the opportunity earlier this year to speak at the Career Symposium. I found it to be an exciting opportunity. Certainly, I think that there is much that we as a department can do to promote small business to youth. It's an avenue that has not been traditionally part of the information package that is available to young people, but I think from the response we've had from counsellors, from school divisions, from individual young people, it gives us a sense that this particular program will be expanding and will be providing new avenues to young people.

The Regional Development Corporations, the department has spent considerable effort over the past couple of years developing the role of our Regional Development Corporations and I believe that because of a lot of hard work on the part of staff and because of a certain degree of enthusiasm on the part of individuals who are working with and for the RDCs that we will continue to expand their mandate and continue to improve their ability to respond to the needs of their particular communities.

One of the most successful programs that has been offered by the Business Development Section has been the Venture Capital Program. I know that members of the Committee are familiar with some of the successes of the Venture Capital Program. To date, approximately \$2.4 million in equity investment by the government has generated more than 6 million in private sector investment and while the program is funded by the Jobs Fund, the program delivered by Business Development has been extremely well received and extremely successful.

The Interest Rate Relief Program, while winding down, Mr. Chairman, has done its job in supporting many small businesses, 600-plus in number, over the last couple of years and has led to the maintenance of approximately 2,000 jobs or in that area and has been extremely well received and I think timely.

One of the interesting sidelights to the Interest Rate Relief Program was the acknowledgment by many of the businesses that were involved, that while the assistance provided through the Interest Rate Relief Program was timely and was needed, the support that came by way of counselling, management advice, was also important in the fact that the vast majority, over 90 percent of the businesses who sought assistance, were able to continue to operate.

Before I move on to the Tourism part of the department, I have sought the permission of the critic, the Member for River Heights, to display a number of posters and an ad campaign for the current tourism year and we have on videotape some TV advertising that will be - in fact I think is commencing - and I would like the committee to have the opportunity to view that, if there is agreement for that to happen, Mr. Chairman.

**MR. DEPUTY CHAIRMAN:** Well, on that very point, it's been brought to my attention and I recollect quite clearly — (interjection) — Gentlemen, please.

**HON. J. STORIE:** There's agreement.

**MR. DEPUTY CHAIRMAN:** There may be agreement but the Rules Committee adopted very clearly on February 26th of this year, that the use of displays and audio-visual materials was not to be used in committee. The Opposition House Leader, as a matter of fact, in his statement felt that it may well lead to additional abuses down the road where the audio-visual material, although it could be of assistance to members of the committee, could very well be aimed not so much at members of the committee, but at the media and public or whomever else.

It is for that reason that the Rules Committee very quickly - it didn't even take up one page of debate - decided to set aside the allowance of audio-visual aids in committee and to maintain the rules as they existed previously, which is the provision of no audio-visual aids.

So I'm going to have to, I believe, take the prerogative of the Chair and to rule that the procedures as set down, with due apologies to the Minister and his critic, that the displays that we have presently be removed and that the audio-visual as well be removed.

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

**HON. S. USKIW:** Mr. Chairman, in light of the fact that staff have already gone to an awful lot of difficulty assembling the visual information, why don't we simply note that that is the rule and just not readmit visual aids at the next sitting, but leave them here for the present time? Why don't we rule that they are not admissible but not require that they be removed at the present time.

**MR. DEPUTY CHAIRMAN:** The House has provision and it's difficult for a committee to overrule a House rule. That's the difficulty I have as the Chair. But I will allow it and then we'll perhaps make reference back to the Rules Committee at its next meeting, having had this occasion as well, that if there is unanimous agreement by the members of the committee to permit the displays to remain for this afternoon's sitting only, and as well, if you want to see the audio-visual display on the VCR, if it's unanimous agreement of the committee, then I shall accept that.

If there is that agreement, I do feel somewhat nervous in setting a precedent by doing this. I don't know that it's a healthy precedent for us to be setting, especially since just two months ago the Rules Committee rejected it very clearly.

The Member for River East.

**MR. W. STEEN:** Heights.

**MR. DEPUTY CHAIRMAN:** River Heights, I'm sorry.

**MR. W. STEEN:** Mr. Chairman, I can see a problem with the audio equipment as far as with Hansard, my suggestion then perhaps we can take some advice from the former Deputy Clerk, because if we were to what we call recess and watch the audio and then reconvene the committee and therefore it won't be recorded on Hansard whatever is said on the audio and then we will start up Hansard again and start the committee back in the committee room.

I certainly have no objections to the posters being here. I made reference to the Minister of Resources that there seems to be a lot of orange used in them and then the Minister of Cultural Affairs says that a few years ago the blue was the predominant colour. So they do look very nice anyway.

So I would suggest maybe, Mr. Chairman, that if seeking some assistance from staff, that maybe we could take a short recess, see the video presentation and then resume back in committee.

**MR. DEPUTY CHAIRMAN:** Okay, committee shall recess for the period that it takes us to watch the video and I would ask that both the posters and the video, when we come back in, be removed.

Committee recess.

### Recess

**MR. DEPUTY CHAIRMAN:** Committee, come back to order.

The Minister of Tourism.

**HON. J. STORIE:** Thank you, Mr. Chairperson, I appreciate your indulgence. The posters will be removed and the audio-visual equipment as well.

The promotion this year, we hope, will build upon some tourism strength that we had last year. Tourism generally provides approximately 29,000 Manitobans in a variety of industries with employment. 1984 saw a moderate improvement in the number of people that shared our heritage and our culture and natural resources.

The total number of visitors in Manitoba increased by approximately 110,000 in 1984 and the number of overseas visitors to Manitoba in 1984 also increased approximately 10 percent.

Spending by travellers in the province increased from \$529.1 million to \$621.5 million, and the number of in-province trips grew by 4 percent, to a total of 4.5 million trips.

The department has initiated a number of programs that we believe follow from a strategy which is to increase the potential of the tourism industry to contribute to the province in excess of 1 billion by the turn of the century.

Mr. Chairman, the strategy for tourism growth in Manitoba has been developed, we feel, in consultation with the private sector, with industry groups, with those who have an interest in tourism. This strategy generally forms the basis for programming under the new Tourism Agreement and certainly guides the ongoing activities within the Department of Business Development and Tourism.

We believe that we must concentrate generally on our strengths. We feel that we have to compete with international tourism destinations. We need to have quality product. We have to accentuate the fact that we have something unique to offer and we feel that that's an important part of our strategy.

We have instituted or will be increasing our emphasis on the co-operative tourism advertising that was undertaken in 1984-85 and we're going to be putting more emphasis on it in the coming year.

The computer-based Telidon Information System, which was tested on a pilot basis at a number of our Visitor Reception Centres, we believe was extremely successful and we'll be continued this year. We're going to improve that facility by providing a computer-driven Telidon system.

The introduction of the international toll-free telephone inquiry service was extremely successful, in fact we received a 38 percent increase in the number of inquiries, the total number of inquiries growing to 37,000.

I suppose that for the next five years much of the activity in the Department of Tourism will be based or centred around the new Tourism Agreement which is due to be signed on Monday, May 13th, as most people know.

The old agreement called "Destination Manitoba," I believe was essentially successful in its mandate. I think we certainly broadened the scope of the facilities that we can offer to tourists and we believe that the some \$14 million in investment that occurred through the new agreement contributed in a very real way to the health of the tourism industry generally.

We look forward to implementing the new agreement with the Federal Government. We believe it takes us in a new and exciting direction and will certainly have major benefits for those involved in the industry, but spinoff benefits to all Manitobans.

I think that concludes my opening remarks, Mr. Chairperson.

**MR. DEPUTY CHAIRMAN:** Thank you, Mr. Minister. The Member for River Heights.

**MR. W. STEEN:** I have a few brief comments on the Minister's remarks and say that he makes mention about how Manitoba and Manitoba business has survived the recessionary period and come through a somewhat difficult period and that Manitoba business has held its own. I think that if we look back at the last hundred years we'll find that Manitoba, particularly small business people, the entrepreneurship that is imbedded in them is something which is second to no other place and that Manitoba business people have an outstanding record of dealing with the ups and the downs and fortunately, in Manitoba, we don't have the great ups and downs such as particular places like Alberta have had in past years.

The Minister makes reference to general growth, both in the manufacturing field and other areas of business, and I say to the Minister that he could see even greater growth if only a few steps were taken by his government and that would be that taxation, such as the payroll tax were eliminated, which discourages businesses from hiring people, and if regulations were looked at.

I note that in the Province of Saskatchewan, the Small Business and Development Department there has abolished up to 700 regulations since they've been in office. There is nothing more discouraging to a business person who is trying to earn an honest dollar than to have government of any kind trying to overregulate his or her life. It's difficult enough to make a living in business today without being overregulated; so if taxation and regulations were reviewed by the government, his job as Minister of Business Development and Tourism would be such a snap that it would be phenomenal, Mr. Chairman.

The payroll tax is a discouraging tax to the businessman in the area of Tourism. It was mentioned in Consumer Affairs, it was mentioned the other night in the Attorney-General's Estimates. The liquor tax is a great discouraging tax in the area of Tourism and in the restaurant field and so taxation and regulations are the two areas that face the businessman today, and as the Minister knows, the number of businesses that employ 20 or less people in Manitoba is a great number and it's those people that can't afford to have the expertise on staff day in and day out, such as the chartered accountant, the lawyer and so on, that the large corporations have available to them.

Therefore, if we overregulate them, they are constantly turning to the professionals for assistance and therefore being charged and billed for additional professional fees which have been only placed there by government in its game of overregulating the individual and how he or she wants to earn a living.

The Minister made comments about Limestone, potash and oil exploration and the possibilities for the future. Hopefully, Manitoba's small business community will be able to participate in some of the spinoff on Limestone, but it is the type of a project and of such a great size that I can see non-Manitobans getting the bulk of the work from Limestone and can only hope

that some of the spinoff from Limestone will stay in Manitoba and that the Manitoba businessman will reap some of the benefits.

Potash in Western Manitoba appears to be on hold and doesn't seem to be going anywhere and only recently this week there's some talk about increased oil exploration in the Hudson Bay area; but hopefully all of these things, as time goes on, will have the spinoff effect for the small businessman.

The Minister made reference about the increased visitations through the tourism. Last year, when the former Minister, who is in attendance at committee, was giving his opening remarks, he mentioned two specific things that he thought would lead to major influxes of people into the Province of Manitoba and they were the Queen's visit and the visit of the Pope.

We all know that the Queen's visit, unfortunately, was a very short visit. It was basically restricted to selected people within Manitoba who would see or be in her presence and therefore I don't think it really brought a lot of outsiders to Manitoba; and the Pope's visit didn't materialize the numbers of visitors that we had hoped, but it's good to hear that the tourism numbers were up slightly because we know that in the Province of Saskatchewan the tourism rate is up considerably and where did the people in Saskatchewan get the increased tourism business from? The bulk of their increase came from the State of North Dakota and this is an area that the Province of Manitoba and our Department of Tourism is going to have to really go after, to try and get that North Dakota business back coming straight north instead of going northwest.

The Minister hasn't made any reference to the Racing Commission so I won't go into that at this time, but I would just say to the Minister - and I'm sure he knows that the racing industry here in Manitoba is a good tourist attraction from North Dakota and northern parts of Minnesota, and I was glad to see his government make some changes in the percentage of government takeout from the track and leaving more money in there because there's no doubt that this is an industry that is normally a healthy industry.

It's going over some rocky roads at the present time, but with the new competition coming on stream from the track just south of Minneapolis, the horse racing industry in Manitoba and the tourism aspect of the horse racing industry are going to have to be very competitive in attracting people from across the line in the United States; because I know that the times that I've been out to the track in the past, it's an experience to walk through the parking lot and count the number of foreign licence plates on the cars and it's an important part of our tourism dollar and likely the most single important item that brings tourism dollars to our province.

So perhaps, Mr. Chairman, with those brief remarks, and I'll just repeat my opening statement. The two areas of taxation and regulations are two areas that government has to constantly be looking at to prevent ourselves from getting out of balance with our sister provinces. We can't overtax Manitobans in comparison to persons living in Ontario or Saskatchewan and we can't overregulate if we want to keep the businessman, wanting to apply his entrepreneurship within our province.

**HON. J. STORIE:** Just a very, very brief response to some of the points that you made; first, with respect

to regulations. I think that I'm very sensitive to the issue of regulations and how it impacts, particularly on the time and the effort that small businessmen have to expend on meeting the requirements of regulations.

The department and I have been involved in a review of regulations. We've also been working with the Federal Government to review regulations that impact on small business. So, I'm not insensitive to the fact that regulations from time to time need to be reviewed.

Having said that, I don't think there's any unanimity on the part of small businessmen about which regulations should be in place and which regulations should not be in place. Regulations do serve a function in our society. They serve a function in the management of the economy as well. To illustrate an example; when I met with about 700 small businessmen throughout the province in February and March.

One interesting development in Portage la Prairie in early March occurred when on one side of the table was an individual who was seeking deregulation, the lessening of regulation in the trucking industry - something that I know what has been reviewed and is being contemplated by the Department of Highways and Transportation - and on the other side of the table was an individual who was a small baker and, at that time, the bakery war was on in full flight. This individual, a small businessman wanted the government to do something to regulate, to provide some protection for those small businesses which were being harmed financially otherwise by what they saw as predatory pricing in effect. So, regulations have a role, but I certainly agree with the member that they have to be reviewed.

I said at that time and I say again that I'm not here to defend regulations or legislation that was put in place 10 years ago or 20 years ago. I believe firmly that there is a need to review regulations and legislation from time to time and I'm not opposed to doing that.

The second thing, the member remarked on the Pope and the Queen's visits in 1984. Certainly, I think we have to rely on our own strengths to attract tourists, our natural, our cultural strength. I don't think we can rely on incidental visits to make the difference. We have to promote tourism broadly in co-operation with industry and we should do that. I'm sure we'll discuss the Horse Racing Commission further.

**MR. DEPUTY CHAIRMAN:** Can we now begin review of the Estimates line-by-line? We'll start with line 1.(b) and could I call the staff forward please.

The Member for River Heights.

**MR. W. STEEN:** Mr. Chairman, while the staff is there, perhaps I could make a comment to the Minister and relate to him how I see regulations working. As the Minister is aware, on a Sunday if you're in the grocery store or a market, you're allowed to have four employees working within the store. That regulation is a good regulation in the sense that it keeps the Safeways and the SuperValues from opening up their stores because none of their stores could function at all with only four persons.

So, from that point of view it gives the small business person who runs the corner store and the neighbourhood store and opportunity to open on

Sunday and provide a service to the citizens and he/she can run that store with four persons - sometimes with great difficulty - but there's a regulation that inhibits those people from opening but permits the smaller person from having what would be likely the best cash-flow day of the week by being permitted to operate with four employees. So, a regulation can have its advantages and its disadvantages.

Mr. Chairman, the dollar sum here is up very, very slightly. It's obvious to me that it's strictly salary increases and the normal increases under (b)(2) Other Expenditures for within the office, that there are no new persons at all within that framework.

**HON. J. STORIE:** As the member suggests, the increases are miscellaneous increases, including salary.

**MR. W. STEEN:** It's fine with me if other members of the Committee have no objections to pass 1.(b).

**MR. DEPUTY CHAIRMAN:** 1.(b)(1)—pass; 1.(b)(2)—pass.

1.(c) Strategic Planning; 1.(c)(1) Salaries - the Member for River Heights.

**MR. W. STEEN:** Yes, Mr. Chairman, this is the area of Business Development and Planning and it's from the administration point of view. Where we have personnel within the department who are available to the public to assist them with their business hopes and ambitions and so on, do the personnel from within the Strategic Planning area and can the Minister tell me just how they get involved with the individual business person that is coming to his department and wanting some assistance? How do the people from the executive end of it get involved?

**HON. J. STORIE:** The Strategic Planning section wouldn't normally be responsible for dealing with individual enquiries and enquiries from the public. The Strategic Planning section is the section that provides planning to the department, is responsible for new initiatives for developing the overall strategy for the department.

Essentially, if an individual is interested in business information, normally he would be channelled to either the Business Development Centre or provided by information at his request in a specific area if it was possible.

**MR. DEPUTY CHAIRMAN:** The Member for Sturgeon Creek.

**MR. F. JOHNSTON:** Well, Mr. Chairman, we've had many programs and we've just had a list of programs given to us here - what are the strategic planners recommending as far as developing small business in the rural areas is concerned? The Enterprise Manitoba Program is over. It brought forward about 340 businesses or so. There were only about 21 of them that failed. It has been regarded as an exceptionally good program. Ontario now has something similar. What are we doing to encourage small business and what is our plan for encouraging small business and manufacturing in the rural area of Manitoba?

**HON. J. STORIE:** Yes, Mr. Chairman, the member refers to Enterprise Manitoba which I believe was quite successful and he and I have discussed Enterprise Manitoba on another occasion. Essentially, the department is providing a number of initiatives over the past year and working on a number of other ones, is also working with Industry, Trade and Technology to develop a new set of programs to stimulate small business both in rural Manitoba and in our cities. Those discussions are ongoing with the Federal Minister responsible for Economic and Regional Development and the Minister of State for Small Business, the Honourable André Bissonnette.

Certainly, the experience the department had with Enterprise Manitoba would serve us well in devising new programs. I think that my consultation with small businessmen throughout the province also, I think, was instructive in what they told us about what kinds of initiatives should be coming forth from the Provincial Government.

One of the most interesting - I suppose interesting from one perspective - concerns expressed by almost all businessmen at those meetings was the belief that grants perhaps, given the current fiscal position of most governments, were not the best way to go; that if there was one overriding concern, it continued to be the question of interest rate stability.

As the member knows we did have an Interest Rate Relief Program. I think that what we're looking at from this point on is some assurance that there is going to be made available, in one form or another, risk capital, investment capital at a relatively stable rate.

In terms of what the department has been working on over the past year, the community counselling program and the threshold program I've already talked about, we have had a very successful Venture Capital Program. We have, I believe, begun the process of revitalizing the Regional Development Corporations and we believe that they have a tremendous amount to offer our regions, to offer the communities in those regions and certainly I think there's a new kind of enthusiasm amongst the Regional Development Corporations and their boards.

Essentially those are the major initiatives over the past year and looking to the future.

**MR. DEPUTY CHAIRMAN:** The Member for Sturgeon Creek.

**MR. F. JOHNSTON:** Mr. Chairman, what part of your Estimates - was the Strategic Planning involved in the - let me put it another way. It's obvious that the Jobs Fund in Manitoba does have monies available for assistance to small business. Does the Strategic Planning part of this department make recommendations of what would happen with the Jobs Fund funding? Do they do anything towards the recommendations as to policies of the Jobs Fund towards small business?

**HON. J. STORIE:** Certainly, Mr. Chairperson, the Jobs Fund has in a number of ways provided support for individual programs. I mentioned earlier the Youth Entrepreneurship Program, the Venture Capital for Remote Communities Program, the Career Symposium,



the Employee Participation or the Gain-Sharing Program. Those are offered though the auspices of the Jobs Fund.

The department also provides a number of other initiatives on its own through the regular departmental funding; programs such as the Feasibility Assistance for Small Manufacturers, the Design Assistance for Small Projects, both of which I believe are quite innovative, relatively inexpensive and well appreciated by those particular users.

Apart from that program such as the Business Administration Student Counselling Program and of course CASE which is familiar to most members; the Management Development and Training Program, which offers courses and seminars in various communities throughout the province, have also been used pretty extensively by Manitoba small businessmen - or small business people I should say.

**MR. F. JOHNSTON:** Mr. Chairman, the Minister mentions programs and I think he opens his remark with a Venture Capital Program every time.

When the Strategic Planning section was set up towards the end of 1981 or during 1981 and it split up into two Strategic Planning groups because the department is split, it was basically put together on the basis that there would be a group of people who were examining Manitoba and coming up with recommendations as to what businesses would suit this province and what businesses would probably be the ones to work for it as far as expanding is concerned, and what the province would have to do to put those businesses or encourage those businesses to come here, locate here, or expand them if they were here. And we were looking at the - and certainly - I won't say we were looking at - certainly the areas of transportation, electronics; the areas of hospital equipment, and I think there were two or three others that were being looked at at that present time to come up with a strategy of what would be best and how would we get it?

Has the Strategic Planning Department presented anything that the department is working on so that they're progressively moving towards new business and expansion of business?

**HON. J. STORIE:** First, for the member's information, there's a clear differentiation between what is the responsibility of Business Development and Tourism and what is the responsibility of Industry, Trade and Technology.

As far as attracting businesses from out of province, from other nations, the responsibility has largely lain with the Department of Industry, Trade and Technology.

We work as a department of small business, generally with home-grown enterprises and we've certainly had a number of programs - and I acknowledge that I've used Venture Capital as an example because I think by virtue of the fact that it created or assisted in maintaining some 600-plus jobs, it has been a tremendously successful program. You know 600 jobs is a mega project.

I have also talked about the threshold companies working with companies who, because they have a unique product or have a unique place in the market,

have an opportunity to expand. That kind of initiative is being taken by the department as well as the general assistance that's provided to entrepreneurs who come with an idea, need a place to start.

The number of people who have been assisted by the department in creating their own enterprises ranges in the hundreds. I'm sure that I could get the exact figure for the member but it is significant.

With respect to the new programs, I suppose that all governments across Canada are searching for that panacea, that magic solution. Certainly the department of Strategic Planning has been and continues to review activities in other provinces and other parts of the world. They are, as the member has rightly assumed, working on new programs that will be of assistance to small business.

As I mentioned as well the IRDP Devolution has also consumed some time from that branch as we devise ways that will be more appropriate for the province to utilize that particular funding.

**MR. F. JOHNSTON:** Mr. Chairman, the heading is "Strategic Planning," I think it says, "provides resources for planning, development, assessment and research support for executives." It doesn't sound like it's a program to me and I'm aware of the planning in the other department, but we have a Strategic Planning Department within the Business Development and Tourism, and maybe I could ask if there's part of this strategic planning goes into the Tourism Department.

What does the Strategic Planning Department do under this section?

**HON. J. STORIE:** Mr. Chairman, I thought I'd indicated that the program development activities are the responsibility of this group. The research that goes into developing programs, the assessment of programs that have been initiated in other jurisdictions, all comes under the auspices of this group. There are many governments, obviously all governments, searching for ways to improve the resources that are made available to small business, and that, of course, is part of their program, assimilating, utilizing information from other jurisdictions in the way that will be useful to Manitoba businesses, is part of their mandate as well.

They are doing that on an ongoing basis, and as I said, the new programs that I've mentioned are the programs that were offered in '84-'85, were all vetted through this particular group and that's the role they play.

There's a big job to do and as I said, they're in the process of developing new programs that can tie into a devolved IRDP, new programs that will be offered by the department.

**MR. DEPUTY CHAIRMAN:** The Member for River Heights.

**MR. W. STEEN:** Perhaps, Mr. Chairman, the Minister, because it's not a large sum of money, could list not the persons, but the jobs that fall into this area and tell us briefly what each person does and whether that person has a greater attachment to the business development aspect or the tourism aspect, because obviously these people are close to the Deputy Minister

and assist the Deputy very closely in working with the Minister.

**HON. J. STORIE:** Mr. Chairman, there are four people in that section. The Executive Director is Mr. Bill Ratcliffe, - Bill Cruse, I'm sorry, and there are three other people involved in the department as well. I don't know if the member wants names.

**MR. W. STEEN:** No, I don't think it's necessary to have names.

**HON. J. STORIE:** So it's a relatively small group.

**MR. W. STEEN:** To the Minister, these four people, can you give us an example of the type of work they're doing for the Deputy Minister and himself?

**HON. J. STORIE:** Every time a program is considered, I meet with the executive and staff on a fairly regular basis and we obviously discuss ideas that are going to promote small business in the province. They get their instructions from Cabinet through myself, we look at alternatives and options and ask for a way to implement those particular options. Their job is to come back with detail on how a program would work and what its implications would be, that's all part of planning.

**MR. W. STEEN:** To the Minister, I noticed in his information brochure, "Getting to Know Us," a couple of paragraphs about the core area small business, and being a member from the city area and being a person who has been down to the core area office and met with the manager and his staff and have discussed their operations on a number of occasions, can the Minister tell me what is the relationship between his department of Business Development and the core area Small Business Assistance Program?

I might add that in being at the core office and discussing their program with an Urban Affairs Committee, it seems to me that in a lot of cases, what we're doing is we're trying to entice a business that is outside of the core area to relocate within the core area and this is a good move if that business is going to do better by being moved to a different address, but if it's just a case of shuffling the deck and taking business "A" and moving it into the core area and hoping that it will do better there than it might have in west Winnipeg or in north Winnipeg, I wonder if we're sending good dollars after bad dollars.

Can the Minister comment on the Core Area Business Assistance Program?

**HON. J. STORIE:** Mr. Chairperson, I suppose in some sense the member raises a legitimate question. I think there is agreement on one point; and that is that we want to redevelop our downtown, the core area. As the member knows, the core area agreement was signed by the previous government, so obviously there was some consensus and there should be some agreement between us that it is an important task and one that obviously the previous government deemed important enough to sign a multi-million dollar agreement to accomplish.

So I think it's fair to say that we all agree that it's important to make the effort. How you go about that

clearly is an open question. There are a number of components. When I was Minister of Housing, as the member knows, there were a number of initiatives undertaken to re-establish a residential component into the core area. That was done by utilizing money expended for public housing and utilizing programs such as the Infill Housing Program to bring people back into the core area. I think likewise, another component of a healthy community is the small business component and while my department plays a small role in that, essentially we have two staff who are seconded to work with the core area office. The Department of Urban Affairs has representatives, I believe, on the Project Approval Committee, the Department of Business Development, per se, does not. So in that way we are involved.

I think the larger question though is whether we believe that those kinds of incentives are necessary, whether we believe or have a commitment to the development of the core area of the city. As I've said, we certainly believe that it's important to try. There have been a plethora of initiatives to do that. In some people's eyes, I suppose this has been very successful. I think there have been instances where it has been less successful than one would hope, but nonetheless it's something that I think we all agree is important to attempt, anyway.

**MR. W. STEEN:** Mr. Chairman, the information sheet here says the core area cost-shares up to \$2,000 for feasibility studies and allocates grants up to 25,000 for eligible core area companies. As the Minister has said that it was our government that was in on the initial signing of the core area agreement, are these dollars from within the Minister's Department, or are they from the major core area budget, which is a tri-shared budget?

**HON. J. STORIE:** Mr. Chairman, the dollars do not come from my department.

**MR. W. STEEN:** So the reason why they would be put in this information brochure is to inform persons that might qualify for this kind of assistance that those are the limits of the assistance and it's not to say that the Provincial Government has those monies available, but that type of money is available through the Core Area Initiative Program?

**HON. J. STORIE:** It's my understanding that one-third of that cost roughly would be the cost to the Provincial Government. That allocation doesn't come through my department. We obviously do assist, by virtue of the fact that we have two staff members who are seconded to work with the core area office.

**MR. W. STEEN:** Your two staff members that have been seconded to work in the core area office, they are down at the King Street address and working there on a regular basis, or do they work out of Carlton Street and are called down to the King Street office when there are concerns that would affect your department?

**HON. J. STORIE:** No, I think as the pamphlet indicates, the address is King Street and that's where those two individuals work from.

**MR. W. STEEN:** So they're basically two provincial employees that are on loan to the core area concept for as long as it may exist into the future.

**HON. J. STORIE:** I think that's right.

**MR. W. STEEN:** As I said during Urban Affairs Estimates the other day, is that I don't think we'll ever see the end of the core area program, because so many of their dollars are going into social programs and the enhancement of social programs for people of the area, that some level of the government is going to some day have to find a new budget or another tri-level agreement to continue those social programs on, whether they have any business connotation at all; so we may have those two persons seconded for many, many years to come.

**MR. DEPUTY CHAIRMAN:** The Member for Sturgeon Creek.

**MR. F. JOHNSTON:** I just wanted to follow up on the core area thing. It says, "Program funded under tripartite government Core Area Initiative Agreement is designed to assist the establishment, expansion and upgrading of small business within the Winnipeg core area."

Expansion and upgrading I can understand and the Strategic Planning would be able to give people information as to the feasibility, etc., but the word "establishment" is something that I would like to know if the Strategic Planning are making recommendations on the types of businesses. Have they done a survey to see which ones are successful and the types of business that should go into the core area development plan?

**HON. J. STORIE:** First, I guess the overall planning for the implementation of programs associated with the Core Area Initiative are done through the core area office and not through the department, obviously.

The department, through its seconded staff, provides consulting services, in essence. Whether there have been any formal studies on the kinds of businesses that succeed, the services, etc., that are required in that area, I can't say with any certainty. I assume - and it's only an assumption - that those kinds of things have occurred, although off the top of my head I don't know what kind of limitations there would be, particularly in the service area, for an area in the downtown of a fairly large metropolitan area.

**MR. F. JOHNSTON:** Was the department involved in the decision to change the business development or the business area of the core area plan?

**HON. J. STORIE:** No, Mr. Chairperson.

**MR. DEPUTY CHAIRMAN:** 3.(c)(1) - the Member for River Heights.

**MR. W. STEEN:** One question. It must fall under Strategic Planning because the Main Street Manitoba Program is in this brochure and I would think that it would take somebody with a great deal of planning

ability to operate that program, because it was the highlight of the career for the Member for Ste. Rose when he was Minister of Municipal Affairs.

How does the Department of Small Business and Business Development get involved in the Main Street Program? It's really a grant that is given by the Department of Municipal Affairs to a municipality for the upgrading of a street and the Public Works and the facelifting of certain buildings. Is it the facelifting of buildings along the Main Street of a given town that falls within the parameters of the Department of Business Development?

**HON. J. STORIE:** I think that's part of it, certainly. I think, as the member knows, the "Perfect Pete Program," as we lovingly call this, was some time in being initiated because of the complexity, because it involved - in a very real way - the co-operative effort on the part of individual businesses, on the part of the municipality and on the part of the government; so what this particular department offered was to the business community, in essence, but the project as a whole, some leadership in terms of developing a theme and as the member suggested, dealing with the visual aspects of the program. So that was our role and I'm proud to say that having seen the results of the Main Street Manitoba Program in a number of communities, I think without patting the department on the back unduly, the results have been quite satisfactory, both from the government point of view and I know from the community point of view.

**MR. DEPUTY CHAIRMAN:** Mr. Chairman, I would ask the Minister if he could comment on the Master of Business Administration, Student Counselling Program and this, as I gather, is through the University of Manitoba in conjunction with his department; and the brochure mentions about the students that are available for small consulting jobs or contracts. Is this a program that the greater amount of benefit is for the student or is it for the person the student's going out to work for - the greatest degree of benefit?

**HON. J. STORIE:** I don't know that that can be answered unless we talk to individual businesses and students. Obviously, the idea is to match the needs of a particular business with the need for a particular student to gain some valuable experience, in terms of consulting, in terms of providing assistance, so I think again, for what is a relatively small amount of money, we provide both the participants with experience, information that is valuable, to one as an individual, to the other as a business.

**MR. W. STEEN:** The Business Development Centre on Niakwa Road would have a list of students that are working on their Masters Program and their area of expertise and interest and then they would try, I gather, and match up that student with an available job or contract.

I would ask the Minister, and I would hope that the program is limited in its scope to the extent that it's not putting people who are earning their livelihood as consultants out of business and that these students would be gaining good experience, but most of the

people that they would be working for would not be getting the benefit of the service, because they wouldn't normally be in a position to afford a general consultant off the mainstream of society, am I correct in that assumption?

**HON. J. STORIE:** I think generally, yes, Mr. Chairperson, I think the Masters of Business Administration Program last year assisted approximately 30 to 35 clients. I don't think it's taking a major chunk out of the potential for those professionals who are involved in consulting to businesses.

The time frame, as the member may be aware, is for projects that last from two to two-and-a-half weeks. They are relatively small jobs and usually are referred to relatively small businesses and, it's only conjecture, but I assume businesses that normally under other circumstances wouldn't be taking advantage of a consultant's services. I think, by and large, the member's assumptions are correct.

**MR. W. STEEN:** The Minister, Mr. Chairman, made reference to 35 specific jobs. How many students were involved in that because he did mention the numbers of weeks that they're involved for?

**HON. J. STORIE:** Thus far, I think, our experience is approximately 10 students involved at any one time.

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

1.(d)(1) Communications - the Member for River Heights.

**MR. W. STEEN:** Perhaps, Mr. Chairman, I could ask the Minister again the same question I asked him in Strategic Planning, the number of persons that are in the Communications Branch and if he could elaborate are these people working for both the Tourism aspect and the Business Development portion of his department?

**HON. J. STORIE:** I think the simple answer is yes, Mr. Chairman.

**MR. W. STEEN:** And the number of persons he had within the Communications Branch?

**HON. J. STORIE:** Mr. Chairperson, there are six people currently - I should say five - there is one vacancy.

**MR. W. STEEN:** To the Minister. We saw the slide presentation earlier and having been both in Brandon and in Portage at the Tourism Association's Annual Meeting, people from within the Department of Tourism outlined the program and the strategy of their campaign at both those meetings in the past. Are those persons from within the Tourism Department, are they from the Communications section of his department?

**HON. J. STORIE:** No, Mr. Chairperson. The members that were introduced or discussed the 1985-86 marketing plan were from Travel Manitoba. Obviously, the design, the information that was contained in the booklet would have been done in conjunction with the Communications Branch, however.

**MR. W. STEEN:** I'd like to ask the Minister if he could elaborate a little bit more on the five persons or the six persons when it is at its full complement in the Communications Branch. They are not the ones that are the foot soldiers for the Tourism aspect. Obviously, they're not the people that are dealing on a one-to-one basis with the business people. Can he give me some examples of what their duties are in the area of Communications?

**HON. J. STORIE:** Mr. Chairperson, these people like most others in the department are doing yeoman service and actually undertake such a variety of tasks that it's hard to believe that human beings can accomplish as much as they do.

The Communications staff are responsible for the advertising campaigns. They are responsible for the development of notes, material for our pamphlets; displays, responsible for the visuals wherever we participate as a booth; coordinate the communication needs of the department generally, as well as being involved when and as required to promote specific events, specific promotions.

I should indicate that, as I've said, there are six staff - one position is vacant. If you assume a secretary or a support staff in there, we are left with four people, in essence, to co-ordinate the communication role of the department. When you consider that encompasses both the Business Development section and the Tourism section with all of the advertising that is undertaken - the management of programs such as the Co-op advertising - they do yeoman service for the Department of Business Development and Tourism.

**MR. W. STEEN:** Mr. Chairman, for example, at the Red River Exhibition Summer Fair, if the Minister's department has a booth, for example, within the Winnipeg Arena where so many other organizations and corporations have booths there for sales purposes or information purposes, the people manning that booth would likely come from his Communications Branch then?

**HON. J. STORIE:** No, the people in the Communications Branch would be responsible for making sure that the visual was attractive and they would indirectly be responsible for making sure that the pamphlets and the material that was offered to the people was there and adequate. The staffing would generally come from Travel Manitoba staff. There's two distinct duties. The Communications Branch is providing the grist for the mill if you will.

**MR. W. STEEN:** I know that Tourism Manitoba have some excellent people in the promotion field and was wondering if we were having a duplication of services by having this upper level or a two-tiering system of communication. So, I would gather that the Communications people would be the ones that would make the arrangements with the television stations, and so on, for the booking of the promotions for Tourism Manitoba, the bookings with the example that I have used, the Red River Exhibition, and so on, and other persons from within the Department of Tourism would be the ones that would be doing the manning of booths

and so on and these would be the senior management people making the contracts with wherever the example of communication was going to be carried out?

**HON. J. STORIE:** In essence, that's right. This branch does the creative part and it's more accurately titled, I suppose, Communications and Creative Services. With that qualification, I think the member . . .

**MR. W. STEEN:** They would be people that are well versed in the placing of radio and television commercials, newspaper commercials, people that have had a lot of experience looking at commercials, and so on, and in the preparation of, would sort of be the final line before the Deputy Minister and the Minister on approving of material that's going to be used.

In the (2) section, Other Expenditures, there's a large increase over last year. There's virtually no increase in the salaries. What is the cause of going from 50,000 to the 130,000 with the same complement of staff or the fact that you're going with a vacancy even?

**HON. J. STORIE:** The complement of staff is the same. The increase of some 80,000 in that particular category relates to two things. One is an additional \$30,000 has been made available for the utilization of consultants and the other 50 out of that 80 go towards the development of our Small Business Report.

**MR. W. STEEN:** The Small Business Report is something that is new and the few copies I've seen I've been impressed with.

In regard to utilization of consultants, the Minister means outside consultants that the department doesn't have. Can the Minister tell me what types of projects that he is going outside of his department to have professionals assist the department with? Obviously, this is sort of a one-shot effort and that's why you're going outside the department rather than hiring additional staff. What type of work are the consultants working on?

**HON. J. STORIE:** Mr. Chairperson, I think the member identified the problem correctly. It's material that is needed, particular techniques, particular services that are required or needed in the department that aren't normally available through our own communications personnel or other services that are generally available through government departments, things like photographers or writing pieces - I don't know what they're called - "lure" pieces that are for trade magazines and other magazines that are contracted.

It's not a large additional sum of money, but it gives us some additional flexibility so that we can pull in creative people, get them to do a specific task and we found it works and it certainly supplements when you consider all of the other activities that our communications people are expected to handle as well.

**MR. W. STEEN:** Is the Minister saying, in essence, that the area of expenses within this Communications Branch was far too low in the past and it didn't give them the flexibility to do the job that they wanted to do and that this item of \$130,000 is more likely to be the area of expenditure for next year and the year thereafter.

**HON. J. STORIE:** Certainly, what we're trying to do is utilize some additional funding in the most appropriate way and obviously we could hire additional staff, but we feel that by pulling in people for specific projects, people with specific skills, we're obviously going to get the product we need at much less cost.

I should say that staff tell me that by utilizing specific writers, for example, on a consultant or contract basis, we believe that we have created an advertising value to the province somewhere in the neighbourhood of \$2 million. We contract with a writer to do a specific piece on Manitoba and it's published in some journal or some tourism publication. It's distributed in the United States or in some other area of the world, so we get a tremendous value by contracting out small pieces like that, in terms of publicity, so it's a very effective tool. It's a way for us to increase the impact of our advertising with really very few dollars. I think it's a creative idea and something that we intend to expand.

**MR. W. STEEN:** To the Minister, I would ask the Minister and he can ask his department because he was the Minister last year, how did the department or this branch of the department get by last year with such a small amount of money?

**HON. J. STORIE:** They got by, I suppose, by both being creative and imaginative, by developing programs, pursuing programs like co-op advertising, which I think will prove to be a tremendously successful program. They got by, by I suppose, utilizing the services of our Strategic Planning Branch, identifying in a more concrete way where our market was. It's easy, I suppose, to say let's spend another couple of million dollars on Tourism advertising and go at it in a very generic or shotgun way. I think recognizing that there are limits to what can be done in terms of tourism advertising, we have used the money that was made available to us in a very appropriate and successful way.

**MR. W. STEEN:** Mr. Chairman, when the Minister discusses co-op advertising, I gather what he means by that is the Fishing Guide'85 that has the ads for the various lodges and so on, that these are not just informational pieces, that these lodge operators are paying to have their facility described and pictured within this guide?

**HON. J. STORIE:** Certainly, Mr. Chairperson, that is part of it. There is another program that is entitled "The Co-op Ad Program." In essence, what it does is bring together private entrepreneurs, individual businesses who have a product, a service to market, and utilizes the purchasing power of the government, in essence, to lower the cost of advertising, to pull together industry people who will advertise in conjunction with the government. The government pays part of it, as part of our budget for our Travel Manitoba advertising and I think we mutually benefit from that.

**MR. W. STEEN:** Can the Minister just give me an example? Is the advertising that the race track does in North Dakota, is that co-opted with the province, the Department of Tourism or is that strictly the race

track's own promotion? Is there an example of this co-op advertising?

**HON. J. STORIE:** I'm not sure whether the advertising the member's referring to is part of the co-op advertising program. I would have to know what specific dates were advertised or what specific advertisement the member's referring to.

We have undertaken co-op advertising with approximately 30 different businesses and they include individuals involved in accommodations and the hospitality area, as well as other retail businesses.

**MR. W. STEEN:** Mr. Chairman, we'll often see in the weekend newspaper in Winnipeg an ad from a group of business merchants from the City of Grand Forks, North Dakota, and at the bottom it'll maybe be sponsored partially by the city or partially by the Chamber of Commerce and there might be eight or 10 or 12 various business that'll have squares within that ad outlining the facilities that they offer to Manitobans and Winnipeggers in general to go down for a weekend into North Dakota. Are we doing a similar form of advertising in the United States, Ontario and Saskatchewan with our Manitoba business people?

**HON. J. STORIE:** Yes, Mr. Chairman, we are, and that's exactly the kind of program that this co-op advertising program is; and the markets will in fact be Ontario, Northwestern Ontario, Northwestern Minnesota, North Dakota and Saskatchewan, where we're looking for a much improved co-operative effort this year. We have undertaken, in a pretty major way, an explanation, a promotion of this particular program. As I indicated before, we use our own purchasing power to, I think, get a pretty preferential rate for those who advertise with us or who involve themselves in the program.

The advertising is done on a cost-shared basis with 40 percent being assumed by Travel Manitoba and 60 percent by the private sector; so we're expanding that and, as I said, as more and more businesses become aware of the program, we anticipate a larger uptake and better utilization of the program generally.

**MR. DEPUTY CHAIRMAN:** The Member for Sturgeon Creek - do you have a question?

**MR. F. JOHNSTON:** Mr. Chairman, there are six people in this department. How many work with Tourism and how many work with Small Business?

**HON. J. STORIE:** Mr. Chairperson, most of the work is obviously with the Tourism section of the department, but the Communications Branch serves the whole department, so I can't really break it down.

**MR. F. JOHNSTON:** Then, this Travel Manitoba Marketing Plan brochure would have been put together by the Communications Department rather than the Tourism Department, were working with the Tourism Department?

**HON. J. STORIE:** Yes, Mr. Chairperson, they worked with Travel Manitoba to produce that.

**MR. F. JOHNSTON:** Mr. Chairman, it's an interesting brochure. It says, "Tourism Industry of Manitoba." It

mentions when the Minister was appointed. It mentions a brief period since assuming business and met with many groups.

It says, "We met with him in his office in the Legislative Building to discuss the views, impressions, concerns about the Tourism industry in Manitoba. Here are some excerpts of the conversation. We've had a nice interview with the Minister." Who was the interview with?

**HON. J. STORIE:** Mr. Chairperson, Communications staff.

**MR. F. JOHNSTON:** You were interviewed by your staff?

**HON. J. STORIE:** Yes, Mr. Chairperson.

**MR. F. JOHNSTON:** Thank you.

**HON. J. STORIE:** Mr. Chairperson, for your information of the member, it's simply a way of providing an overview or a letter from the Minister and this was deemed to be a more creative way of doing that. I think it's effective.

**MR. F. JOHNSTON:** That's a matter of opinion. Thank you.

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

Appropriation 2.(a)(1) Business Development - the Member for River Heights.

**MR. W. STEEN:** This is the meat of the department and I would like to ask the Minister in a few cases about some of the grants that are in the Minister's annual statement.

**MR. DEPUTY CHAIRMAN:** The Member for River Heights, did you have a question?

**MR. W. STEEN:** Yes, I have a question to the Minister. On Page 26 of his department's report and he's got the Core Area Initiative payments at about the halfway point of that page, Item 5. He's got a Canwood Lumber and Hardware getting \$7,500.00. I'd like to know what and why did they get \$7,500 and how was it utilized?

**HON. J. STORIE:** Mr. Chairperson, as I indicated earlier, the department is not involved, per se, in the approval of these projects. They are shown as in the department's annual report. We can get the information, but neither of the consultants are here nor is anyone from the Winnipeg Core Initiative Office who would be apprised of the details of those particular figures.

As the member knows, the maximum grant was \$25,000 and this would be the explanation, the detail I can certainly attempt to get, but the staff at this time don't have the detail for that particular program.

**MR. W. STEEN:** Mr. Chairman, either I didn't understand the Minister clearly earlier, or else I think he's contradicting himself. I thought I asked him earlier does the money that is given to the Core Area Initiative people that qualify for grants or payments come from within his department directly? I was under the assumption that he said no, it comes from the \$96

million tri-party agreement which, yes, we are a partner of it as a Provincial Government. Therefore, it struck me as being somewhat odd that there would be five companies here listed as receiving \$58,811 which is shown in his department's annual report.

I can understand him having two persons being seconded to the core area and working closely with business people, so that there is a liaison between his department and the core area program, but here are five companies that have received money and why would they be in this report if the money comes from the \$96 million core area program? It should show in their audited statement rather than within the Minister's. There's one there that's a number and then I just asked about the hardware and lumber company.

Robert D. Riess Enterprise - my other question was who was Robert D. Riess and what's he do with \$7,311.00?

**HON. J. STORIE:** I can certainly get the information. In terms of the numbers, obviously the \$96 million that is the total sum of the Core Area Initiative is not a fund set aside, but comes out as a matter of course as do other federal-provincial agreements and tripartite agreements, comes through departmental spending and is part of the Estimates procedure. The member will know that the Destination Manitoba Program comes through as part of the departmental Estimates. That's the explanation.

The explanation for the funds appearing here may simply be that they may simply be included as part of the information the department provides because of the activity of its two consultants.

Basically, the information provided is simply part of our administrative checks on program spending. We get the money funded from Urban Affairs, so it's basically an administrative, internal reason that it shows up in our Estimates.

**MR. W. STEEN:** So, Mr. Chairman, these five names of parties under this Item 5. Winnipeg Core Area Initiative Payments, the \$58,811 is recoverable from Urban Affairs who, in turn, likely have the other two partners, the City of Winnipeg and the Federal Government, paying a portion of it.

**HON. J. STORIE:** I would assume that's correct.

**MR. W. STEEN:** I would ask the Minister and he can do this by communication to me at some time, if he could give me an explanation why these five companies received the money and how it was spent. It can be just a very short couple of paragraphs in each case, if he could undertake to do that for me at some future time. It can be done even after his Estimates are completed.

**HON. J. STORIE:** Thank you very much. I appreciate the member's indulgence in that matter and I will endeavour to get him the facts on those particular five cases.

**MR. W. STEEN:** Within the same area of the Minister's report, Mr. Chairman, if we go over to Item 7 there, you'll see a number of counselling assistance to small

enterprises. As I pointed out to the Minister earlier that one of my colleagues asked me why a family member of his received a small payment of \$33.13 and perhaps he was joking, but he was wondering if this was his brother in Winkler phoning Winnipeg and being charged with the long distance bill because he received some information. The figures are relatively small in most cases and it makes you wonder how much a person can buy in the way of consulting assistance for such a small amount of money being invested.

**HON. J. STORIE:** The amounts that are illustrated under the CASE Program, in terms of dollars are exceedingly small in most cases and represent 50 percent of the cost of a consultation. I believe that those figures are arrived at on an assumed per-hour charge by the consultant of somewhere in the neighbourhood of \$20 per hour. And as the member may know, the CASE counsellors, in most instances, are retired businessmen, people with some experience, usually in the area or most desirably in the area in which the individual is involved.

**MR. W. STEEN:** These would be, as the Minister says, retired business people working out of the Niakwa Road offices there and would be brought in. Usually the consultant has had a great deal of experience in that particular area that he's being asked to do a consulting job on, so these people would be asked to come in and do a consulting job when one arises in their area of expertise, I would gather?

**HON. J. STORIE:** Yes. They are not housed in Niakwa location there. They're housed in the FBDB offices and basically provide services on a request basis. There are a number of them who work or contribute in an informal way. In other words they have no set hours, per se, but when a request comes in, offer their time.

**MR. W. STEEN:** As I said, Mr. Chairman, the amounts being billed to the persons or being shown here as the department's contribution towards the total consulting fee are relatively small and you can tell by the names and the type of businesses that you see here that they are relatively small consulting jobs.

In the section prior to that, Rural and Small Enterprise Incentive Payments, Federal and Provincial Agreement; this is an area that is shared 50-50 with the Federal Government, I gather. Is it an area that the Provincial Government has the right to approve these grants or does the Federal Government have to be consulted as for approval?

**HON. J. STORIE:** As the member knows the Enterprise Manitoba Program concluded I believe March 31, 1984. The decisions to support these projects was made, in some cases, a number of years ago. What is represented here I believe is the final payout, which means that the individual businesses followed the terms of the agreement that they signed and this is the final payout.

**MR. W. STEEN:** The Minister, in his opening remarks, made reference to the fact that on Monday he would be signing an agreement with the Federal Government. That agreement will be in relation to tourism only. Has

there been another cost-sharing arrangement for small business signed with the Federal Government since Enterprise Manitoba expired in March?

I know that the former Liberal Government was only in office for a few months after that and then with the new government, have you had an opportunity to construct a new agreement?

**HON. J. STORIE:** No. At this point we are discussing obviously, with the Federal Minister responsible, the potential for a new agreement, something that we would certainly look forward to. I know that we have presented them with a number of proposals which would involve federal-provincial co-operation. To date those have not been successful.

I should indicate that the Federal Minister has certainly suggested to me that there is some interest. What form the final co-operative effort will take is yet to be determined, but I think it is likely that we will have some form of co-operative agreement for the development of small business in the near future.

**MR. W. STEEN:** Mr. Chairman, within the 1983-84 Annual Report, there's a relatively small sum of money of \$241,000, and so on, shown. This was obviously a winding down of a program and there's only - oh I'm guessing but - I would say about 30 to 40 businesses shown as being participants in the program. When Enterprise Manitoba was at its height, and I know that the Minister wasn't the Minister then and I wasn't involved as I am now, can he give me some indication as to what the total expenditures in the big years were and the numbers of businesses that were participating in the program?

**HON. J. STORIE:** Yes, Mr. Chairperson, I think the program staff have just indicated that as many as 250, 275 businesses may have taken part. This represents, as you suggest, the final payout for some of them. Some of them may have concluded earlier. I presume most of them are now finished; that their final payment has taken place, so this, in effect, is the remaining agreements that have yet to be paid out.

So we're seeing, as you suggest, the conclusion of that program. The final payout represents 15 percent perhaps of the number of businesses that were assisted in the first instance.

**MR. W. STEEN:** Mr. Chairman, to the Minister, businesses therefore would not always receive their full payment on the Incentive Program in one given fiscal year. It could be broken down over two- or three-year periods?

**HON. J. STORIE:** Yes. The program was broken down over a number of years and obviously they would only receive their full entitlement if they lived up to the terms and conditions of the agreement, or assuming that there were no failures involved, other things being equal they would receive their final payout.

Just as an addition, staff inform me that usually the payout was over two years.

**MR. W. STEEN:** To the Minister. When a person approached the province on Enterprise Manitoba and

it was a cost-sharing arrangement with the feds and the province, did the province have the ability and the power to agree to entering into a program with a business concern alone or did they have to have approval from the Federal Government?

**HON. J. STORIE:** As with most federal-provincial agreements, there is a mechanism put in place that requires co-management, and I believe Enterprise Manitoba operated in that way as well, so one or other of the parties could not unilaterally say, yes this is a good project and proceed. It required basically unanimity. I guess that's the blessing and the bane of co-operative agreements, that no one party can proceed in exactly the fashion that they would prefer. But I think on the whole they have been fairly successful; Enterprise Manitoba was, as was Destination Manitoba.

**MR. W. STEEN:** Can the Minister find out from his staff what the time period was from the time that a business person approached the department and if that person eventually was successful in obtaining a grant from Enterprise Manitoba? What was the average time span from the date of application to receiving first payment?

**HON. J. STORIE:** Well, I don't know that there's any easy answer to that. Obviously that would depend on how well prepared the individual was in terms of his business plan and his strategy. I understand that anywhere between four and six weeks would not be unusual. But again we're dealing with individuals who were at various stages in their business planning, so there's not an easy answer; some probably took months and others a relatively short period of time.

**MR. W. STEEN:** To the Minister, what have Manitoba business persons been doing for the last 14 months since Enterprise Manitoba, the agreement has expired and with new applicants that have come along during the last 14 months? What has the Department of Business Development done with persons trying to seek governmental assistance in expanding or starting up a business that would normally have qualified for Enterprise Manitoba in the past?

**HON. J. STORIE:** Well, basically, as the member knows, there is no success or agreement at this point. So the small business - the business, I shouldn't say small - the business would have a number of options, depending on its size and whether it was locating in the province, from outside the province, or outside the boundaries of the country. It may have been eligible at that time for development agreements and some fairly - at least initially small businesses have had the support of development agreements through Industry, Trade and Technology.

I could use an example, the Toro Plant in Steinbach, which I believe is a 27- to 30-person project and it did receive some support. Other than that, as I've indicated previously, programs like the Venture Capital Program have seen the establishment of many new businesses.

I could go on at length about how successful that program has been. I think it's an important type of program to have established in the province.



We have seen - I don't know - 35 or 40 Venture Capital companies established and have assisted many businesses to get established or to remain viable through the program. It's important because it takes advantage of equity and equity investment, as opposed to debt financing, which has been the bane of small business for the last number of years.

In addition to programs that I've mentioned, obviously we do provide assistance for feasibility studies. We provide assistance for design and product improvement. We provide general counselling, support from the inception of the idea through to financing perhaps at a private lending institution.

So those are the different ways that we have been providing support for individuals; entrepreneurs interested in the development of an idea.

**MR. W. STEEN:** Mr. Chairman, the Minister made reference to the fact that Enterprise Manitoba isn't in existence right now and no replacement agreement is in place; and made reference to the Department of - is it Industry, Technology and Trade? Does his counterpart or does the Department of Industry and Trade, do they have a program in place that is similar to Enterprise Manitoba that does assist business concerns?

**HON. J. STORIE:** Mr. Chairperson, no, I wouldn't say that the programs offered by IT and T parallel in any way to Enterprise Manitoba. It has assisted a number of companies coming into the province and establishing here.

I've said in my opening remarks and I repeat that one of the interesting points - at least I found interesting in my consultation - was the general consensus that while grants are appreciated, there is a recognition by many small business people, and perhaps most, that in times of restraint opportunities for governments to provide assistance by way of grant may be extremely limited.

They were concerned more with interest and the availability of capital, generally, than they were in the province promoting new expanded grant programs. I think that's a healthy signal from the small business community generally.

I can indicate to the member that we will be working on a number of programs to deal with that perceived need in a number of ways. But to the extent that the member is asking, will grants be made available, it is possible - and I've alluded to it earlier - that through the devolved IRDP we may have programs like those offered under Enterprise Manitoba made available in the near future.

**MR. W. STEEN:** The area that I would like to see the Minister and his department and his government proceed in is not be in the grant business, but when a business person comes to his department and is looking for assistance, that if his department thinks it's got a chance to fly and is reasonably viable, that they take the person to the commercial lending agencies, then the commercial lending agencies have a second look at the business to see whether that business is viable. It takes it sort of out of the area of politics. I used to always think that the Department of Agriculture

in their loans to farmers, it shouldn't be government tax dollars that are loaned out to the farmers, it should be the bank's and the credit union's money loaned out, and that the Department of Agriculture could assist the farmer with high interest payments.

I think in the area of the Department of Business Development that they could perhaps assist in helping the businessman pay a portion of his high interest rates, but that the principle is totally the bank or the commercial lending's responsibility of collecting the money back in the form of a loan. I would much sooner see it done in the form of a loan than an outright grant. If the business cannot fly because of high interest rates, but otherwise is a sound proposition, that maybe government assists with interest payments rather than outright grants or what we call forgivable loans.

That's the area that I would like to see go and I know that he's going to have numerous meetings in the year to come, if we're not involved in an election.

The new Federal Minister of Small Business, I have had the opportunity to meet him and he is anxious to get across the country and discuss the concerns and problems that small business people face from day to day. I know when I next have an opportunity to talk to him, I don't think we need government giveaway programs; we need to help business people that can in the long run succeed on their own and maybe a bit of a start-up assistance in the way of interest payment assistance would be far better than an outright grant to get a business started.

I would hope that the Minister might think along those lines and not tie up millions and millions of dollars of taxpayer monies when governments, both at the provincial and the federal level, are running up substantial deficits in this day and age.

**HON. J. STORIE:** I think the essence of what the member is saying is what I heard from many of the people with whom I consulted. I suppose we could get into a long philosophical argument about the merits or demerits, if you will, of interest writeoffs. I think the member knows our government's position is and has been that interest rates need to be brought into line in the interests of small business and the interests of farmers and the interests of home buyers that that should happen. Certainly, we've seen them moderate somewhat over the last number of years. Certainly, since we introduced the Interest Rate Relief Program that has happened.

I can only agree with the member that if the commercial lending institutions were willing and able to assume some risk, to assume more risk than they're currently appear to be willing to assume, small business would be in a better position.

The Canadian Federation of Independent Businesses recently conducted a survey of the attitudes of small businesses in Manitoba towards lending institutions. They found, I believe, that somewhere in the vicinity of 27 percent of small business people who responded indicated they were dissatisfied with the kinds of services, the kinds of support that they were getting from their financial institution. I think it's fair to say if there was more satisfaction, if there was a greater degree of leniency, if there was a greater degree of flexibility on the part of individual bankers, individual

bank managers that our small business sector would be, indeed, healthier.

**MR. DEPUTY CHAIRMAN:** 2.(a)(1) . . .

**MR. W. STEEN:** It's past 5:30.

**MR. DEPUTY CHAIRMAN:** Okay, we'll call it 5:30. The committee resumes this evening at 8 o'clock.  
Committee rise.

### SUPPLY - FINANCE

**MR. CHAIRMAN, P. EYLER:** Committee, come to order. We are considering the Estimates of the Department of Finance. Does the Minister have an opening statement?

The Honourable Minister of Finance.

**HON. V. SCHROEDER:** Thank you, Mr. Chairman.

I'd like to make a couple of comments concerning the department on the introduction of the '85-86 Estimates. With respect to the departmental expenditures, I would want it noted that those expenditures have grown year-over-year at just under 2 percent. I believe that is an important achievement, given the central, ongoing role performed by Finance. By careful planning and some prioritization by management in the department, we've been able to maintain our staff levels with no increases overall in staffing.

The department has concentrated on continuing improvement in the field of management in the public sector, accountability and information. I've got several concrete examples. The Treasury Board has approved a three-year plan which will result in all departments preparing and submitting more detailed estimates supplements to the Legislature. This will provide members with more detailed information concerning the operations of departments. I believe the Supplement for Finance has been distributed to members. I had asked 20 minutes ago . . . I wasn't aware that they had not been distributed and they're with the Clerks. They're being distributed right now.

2. Improvements to Annual Reports will show year-over-year expenditure comparisons and provide explanation of major variances as well as other significant operational information.

3. There'll be continued refinement to the government's Estimates preparation and review process.

4. A government-wide policy paper has been approved by Treasury Board, which clarifies and communicates the roles and responsibilities of all participants in the financial management process throughout government.

5. Significant progress has been achieved in establishing an internal audit policy for government.

6. Aided by new or improved computer systems and by use of word processing equipment, greater and more efficient use has been made of staff, systems and hardware. Our Personnel Branch has provided training and support to help accomplish this goal.

In the field of federal-provincial relations and negotiations, the department has taken an active role

in working with the Federal Government and other jurisdictions. I'm pleased to note that as a result of considerable work and a strongly developed position, the province was successful in obtaining an improvement in our equalization payments for the '85-86 year, as well as for next year, and I believe there was a good deal of excellent work performed within the department to this end.

**MR. CHAIRMAN:** The Member for Turtle Mountain.

**MR. B. RANSOM:** Mr. Chairman, I thank the Minister for those few brief administrative comments about his department. It causes me some concern that we would have the situation where, on this very day or yesterday, word becomes public as to the decline in the Provincial Government's credit rating and we don't have any word in the Minister's introduction to his Estimates about the direction that he, as the Chief Financial Officer of this province, sees us going.

During the time of discussion of Estimates last year, I had asked the Minister a number of questions about projections going beyond one year, and we had no indication from the Minister at all that he was able to provide projections beyond one year; and I expressed my grave concern at that time because I don't know how any individual or any corporation can expect to operate on a time horizon of only one year. For the Minister of Finance to attempt to run the province on that basis seemed unusual to me. It caused me some concern and I'm sorry to see at this point in time that the Minister hasn't seen fit to comment at all on something as important as the reduction in the credit rating, to make any general comment about where revenues and expenditure have been going.

He stands in question period and says that the information that I'm using is inaccurate and misleading, yet he doesn't offer any information in its place that he would care to put on the record. Instead, what we have is the Minister simply giving us some of the administrative details about the management of the department and some of those are important. I don't downplay the significance of that. I'm happy to see that they've implemented a three-year plan to bring in supplementary information for each department, supplementary to the Estimates. That was something that I had initiated and I'm pleased to see it being expanded. I hope every department does it.

I'm pleased to see that he's doing something with the Annual Reports. I think that the Auditor has been recommending it for some period of time and I would certainly agree that the Annual Reports should be prepared on a similar format to what the expenditures are prepared, so that when we stand in the House and approve an expenditure for a certain item, that in the Annual Report we can subsequently look back and they will identify where and how that money was spent and what the taxpayers got for it. That's fine; I'm pleased to see that.

He makes reference to internal audit improvements. I don't know what those might be. Maybe later on he can explain them further, but the Minister hasn't given us any indication at this time of a position that they might wish to take with respect to negotiating a new equalization formula. He hasn't given us any indication

of how they see the Limestone Hydro Project being financed, whether that's going to be done directly by the government, whether it's project financing, whether Northern States Power is going to be asked to use their AAA credit rating to back the government, so that Manitoba could get a better rate of interest than is the case now.

I would hope that during the course of these Estimates that we'll get some answers from the Minister to those sorts of things and especially some answers from the Minister about where Manitobans can expect to see their financial affairs go, because I'll put some figures on the record that I challenge the Minister of Finance to show me where these figures are incorrect, by more than a very small amount.

One of those figures, Mr. Chairman, is that spending by this government by the end of this fiscal year will have gone up by approximately 48.8 percent. If that isn't correct, I would hope that the Minister would say so. The economy, taking inflation into consideration, is likely to have grown by about 30 percent by the end of this year; but inflation is somewhere in the range of 25, 26, maybe even 27 percent and when one takes inflation into consideration, that is when you find that the real expenditures of the government have risen by over 21 percent, while the real growth in the economy has been less than 5 percent.

When I say that government expenditures are growing at four times the rate of the provincial economy, that's what I'm talking about. We're talking about real terms and to me that is a very serious long-term concern and I would like to know how the Minister is going to address that.

At the same time as spending has been going up by over 48 percent, in inflated terms, revenues I believe have been rising by something like 43 percent, but over \$310 million of the revenue that the Minister expects to get this year arises as a consequence of new taxes imposed over the four years, not as a consequence of growth in the economy. I think what the Minister will find is that of all the increased spending of the government over and above a base of spending that they took over, the level of spending at which they took over, that over half of the new spending has been deficit financed. I find that is an alarming fact when considered that it is now extending over a period of four years. Perhaps one doesn't get too concerned at a year or two, but when it extends over a period of four years and there doesn't appear to be a change in the direction, then I think that does become a very serious concern. I think it's one that the Minister of Finance has some responsibility to address and to discuss.

I think that's the kind of thing that the bond rating agencies are concerned about. They see what is happening here and they see that the ability of the province to service their debt is declining - maybe hasn't declined by a huge amount relative to other potential borrowers - but it is nevertheless declining. The debt servicing costs are rising much more rapidly than the growth in the provincial economy. In fact, at the end of the fiscal year some months after they took over, but I'll say for purposes of argument that the end of fiscal '81-82, the debt servicing costs were \$114 million. They are now about 300 million when one takes into consideration the roundabout way of paying some of the interest costs through the rental of properties. That's

a huge increase. That's something, I think, over 160 percent growth in the debt servicing costs while the economy has been growing about 30 percent in inflated terms. So, the ability of Manitobans to service our debt is declining and it doesn't matter how the Minister chooses to keep the books, it's declining.

How long is that going to go on? I have asked the Minister on previous occasions, and others on that side of the House, whether they ever saw a time when the Budget would once again be balanced. They said yes, they thought at some point in time that had to happen. I would like to know whether the Minister sees any prospect of that within the foreseeable future. I know he has in the past only made projections for up to a year, but I think he has to look beyond that.

So, those are some of the things, Mr. Chairman, that I hope we'll be able to get the Minister to address during the discussion of these Estimates. I think in the interests of Manitobans for the future that we've got to talk about these things. This is extremely important and it's extremely important to people on this side of the House to know what kind of advice the Minister of Finance is getting because we expect to be on that side of the House before very long, Mr. Chairman, so it's important for us to know what kind of advice that the Minister's getting. He obviously has access to a great deal more expertise than we have. We'd like to know what kinds of things that we're going to be facing when we take over government whenever the First Minister decides to call the election.

**HON. V. SCHROEDER:** That would be making history, indeed. After all, the government of which the member was a member is the first one in the history of Manitoba to serve only one term. We don't intend to repeat that. We expect to be — (Interjection) — here for some time.

Mr. Chairman, in looking at some of those statistics of the member who suggests that our spending is up 48 percent over our term in office up to the end of this year, I'm not going to quarrel with that. As he knows, and we all know - we can all look back at the previous Budgets and so on - the year when our spending increased by the largest amount that I can see going back several administrations was the year when he was Minister of Finance. That was the year before the real recession hit. Employment increases and so on were still going on in this country until the summer of 1981, but 1981-82 was the year when we had the largest percentage increase in expenditures, certainly larger than any that this administration has experienced.

So, in doing those comparisons I'd like to compare our four years to the one when he was Minister of Finance. — (Interjection) — Well, Mr. Chairman, they say four to four. There are always a number of differences. One difference is that Conservatives across this country, excepting in Manitoba, recognize that there was the most severe recession to hit North America since the Depression that affected this country. We bottomed out in 1982-83. They don't want to recognize that. They don't want to admit that, indeed, there were troubled times and we had several options to deal with them. There was the option, the road British Columbia chose, the road of acute, protracted restraint; the road that they had chosen until their last year in office when

they seemed to think that wouldn't work so well for re-election. That road I don't believe has worked out very well for British Columbia. When you look only at the rating agency's consideration, I don't think that is the sole criteria one can look at in terms of how we see a province progressing.

Now, the member just indicated that he hadn't been around for the last several months of the '81-'82 year. I just hope that nobody on that side is going to attribute the 1981-'82 deficit and increases in debt costs as a result of that to this government. I say that — (Interjection) — well, I just want to put on the record the fact that when we took over government in 1981, there was a projected deficit that was considerably larger than we came in with at the end of the year. I have a few concerns with respect to where some governments have gone historically in this province. They have occasionally in their first year before year-end deliberately stepped on the gas to make the previous government look bad.

When we look at what is happening in Ottawa, that deficit, for instance, is now ballooning. I don't know why. I know that it's going up significantly beyond where it was when the new government took over. I don't attribute any motives. I know that in one instance, very specifically — well, in two instances — it's costing them more. One is their income tax revenues are not coming in the way Mr. Lalonde had predicted or the way the bureaucrats told Mr. Wilson they would come in when he made his November statement; that's one problem he's got. On the other side of that problem everytime those revenues drop, he has to add on to the payments to the province under the established programs financing formula, but that deficit is going up significantly.

When I see that — (Interjection) — Well, that's a good question. I don't think you can look at that question in isolation from social policy in the country as a whole. What is fair? How do you get away from continuing escalation of deficits that we have been able to achieve to some degree over the last few years? We've at least stopped the exponential increase which members opposite didn't give us credit for; that is, they didn't expect that we would be able to do that. I don't have to read back the speeches, but you will recall that you didn't believe we would be able to keep deficits down below the \$500 million level.

It's very difficult to predict a coming year just before a Federal Budget. I was supposed to be initially at a Western Finance Ministers' meeting today, which I hope we can have shortly. Actually I had expected to be past the Estimates by the time that meeting was on but some things were delayed here.

The Western Ministers are all concerned, as I'm sure the Eastern and the Federal Minister is, with respect to revenues from taxation. It's no secret that it's not only here in Manitoba that revenue has not kept pace. That's something that's happened in other provinces and it's happening with the Federal Government. Indeed the Federal Minister of Finance was quoted recently as being puzzled about why it is that revenue isn't stronger, even though the economy is doing better than originally anticipated.

And talking about the economy, it's our view that our economy probably did better last year than any published numbers have indicated so far here in

Manitoba. I say that based on information I have from our own statisticians, who believe that there will be some upward revisions and that probably there will be upward revisions in terms of predictions for this year, from the predictions I made in the Budget Speech.

And of course those predictions were somewhat below some forecasters and above others. We believe that forecasters will generally give us a little more in terms of economic performance, for both last year and this coming year. But to be predicting a great deal beyond May 23rd at this stage, in terms of where we expect to be for next year, it would be extremely difficult.

I think members should also agree that we didn't just come into power in a vacuum. There were difficult times at the end of 1981, the beginning of 1982. Just to put that in some perspective, in 1980-'81, when the Member for Turtle Mountain presented his Budget, he indicated although the economy was growing that these are the times when you need a larger deficit. That's good economic planning. And I ask members opposite, why, if it was good economic planning during times when the economy is moving up, would it be bad economic planning even if it wasn't going up that strongly? Why would it be bad economic planning to do that as a buffer when things are going down? And we did that for the first two years.

We think we were right in doing that. We kept the economy from dropping to the extent that it dropped in other parts of the country, and it is true that it hasn't come back up as fast as some other parts of the country, but we didn't drop as far either, and some of those parts of the country have some very severe problems left over from that period.

The Member for St. Norbert was referring to how debt had increased under our government. That is true. Debt has increased under our government; debt also increased under the Lyon Government. When I look at the Moody's Report and quoting from it, "Net funded debt has increased substantially at annual average rates of 32 percent between 1978 and 1985," and of course they go into the dollar amounts.

From 1978, the per capita debt was \$974; by 1979 it was \$1,150 — just in that one year, for instance, it would have been well over a 20-percent increase in the debt.

There are references made to the credit rating and the proposition that we should be here discussing this panic situation. Well, Mr. Chairman, I've looked through Hansard; I've had staff look through Hansard. Maybe we've missed something, but we have not been able to find one instance by the Member for Turtle Mountain or anyone else attributing the increase from a A to an A-plus to a AA as being the cause of lowering borrowing costs for Manitoba during their term in government.

That is, when the Schreyer Government took office there was A; 1974, it went to A-plus; 1975, it went to AA. They, at the same time, were going across this province saying that we were economically mismanaging the province. They were saying that somehow what we were doing was going to lead to the doom and gloom and destruction of Manitoba.

They never suggested in 1978-'79, 1980 or 1981, in the Budget Speeches, that we're fortunate that the Ed Schreyer Government brought our credit rating up from A to AA. They never said to the taxpayers of Manitoba, this is saving you so much dollars per year because

of the providence of Ed Schreyer and the New Democrats. — (Interjection) — Well there's a good question. The man says, "But were they saving anything?" Well, we've been looking at that and we have not been able to determine that.

**A MEMBER:** Ed Schreyer was a Liberal, not a Socialist.

**A MEMBER:** Well, that's an interesting observation, too.

**A MEMBER:** Government automobile insurance is a Liberal move, that's good.

**HON. V. SCHROEDER:** Well, the member says, "Ed Schreyer was a Liberal and not a Social Democrat."

**A MEMBER:** No, I said he wasn't a Socialist.

**HON. V. SCHROEDER:** Or he wasn't a Socialist.

**A MEMBER:** I don't know whether you know what a Socialist is.

**A MEMBER:** Duff Roblin's grandpa was a Socialist. He formed MTS.

**HON. V. SCHROEDER:** I would like to refer the member to the book, "Ed Schreyer, A Social Democrat in Power," and get some of Ed's philosophical views of what government is for, why you attain office . . .

**HON. A. ANSTETT:** There's a new book coming out: "Peter Lougheed, A Social Democrat in Power."

**HON. V. SCHROEDER:** . . . in order to distribute power more fairly among people, in order to distribute the goods and services that society produces more fairly among the people in society - maybe that's a liberal viewpoint. If it is, then I suppose I'm a Liberal.

The Member for Turtle Mountain suggests that our spending increases are out of line. He knows that in 1984-85 our print-over-print increase, which I've always said is not the only accurate reflection, I think you look at actual to print because you really get your numbers. But looking actual to print, of course, his '81 Budget doesn't look so good because actually they spent far more money than they budgeted for, which is something we've not done, which is something the Pawley Government has not done. When we've budgeted, so far, we've not spent, I believe, more than what we budgeted for overall in a particular year.

So last year, print-over-print, it was 3.9 percent. It was more than that actual to print because we had not spent as much as we had said we would spend in '83-84. In '84-85 we had that change; in '85-86, if you look at our percentage change in expenditure, as compared to other western provinces; for instance, percentage change in expenditure in '85-86 over '84-85 in Manitoba is 4.7 percent.

In British Columbia, which apparently is experiencing some difficulties in some areas, as we are in others, their spending is up by 7.9 percent; Saskatchewan's spending is up 5.7 percent; Alberta spending, which of course is from a much higher base, is up 4.2 percent.

We're still going to wind up being, in Western Canada, the second lowest per capita expenditures, I would imagine. We've been over the last number of years the third lowest per capita spenders in the country, so I don't see how that makes us tremendous spendthrifts, and I'm not sure that it's fair to take a figure of 48 percent and then flush out the inflation in the way the member does and come up with some notion of four times the rate of growth in the economy, I would much sooner, quite frankly, rely on even people like Moody's who are saying - and I quoted the specific sentence before - that in recent years growth of government expenditure has been in line with growth in the economy. Now, if the member wants to add on the worst recession since the depression, be my guest.

**MR. B. RANSOM:** The Minister seems a little sensitive to me, Mr. Chairman, in his reactions. He says, for instance, he used the phrase, "panic situation." We're supposed to be in a panic situation here about the credit rating, and then he said that I had stated that the expenditures were out of line.

Mr. Chairman, he can go back and look at the record for what I've said today and the questions that I asked him during question period; never once did I make any reference to a panic situation with the credit rating. I haven't said even that his expenditures were out of line, I'm simply stating some facts, and I'm stating facts that extend over a four-year period because that happens to be the period of time that they're in government, and the longer that one is in government, the more one can judge the performance of that government.

I think the longer statistics are gathered, the more meaningful they are. Perhaps if this Minister looks beyond one year at a time he would see what was happening. He's not sure he likes the relevance of looking at what's really happening in the economy, what's been the real expenditure growth and what's been the real growth to the economy.

I'm asking him these questions because I'm concerned about the future direction of the province. If he wants to go back and debate history, we can do that, too. I can tell him and I can show him where the province, when they took over, was more able to service its debt than it was when we took over, and that the growth in expenditure, while we were in government, didn't rise any faster than the growth of the economy, but that's history now. What we're looking at is where we are today and what the future is, the future might be, because we have to have some understanding of where we're going in this province.

Is the Minister content to see this kind of expenditure increase taking place when the economy is growing the way it is. Does he see the economy picking up and revenues rising faster as a consequence of that? Even his own comments indicate today that there seems to be a disturbing tendency for revenues not to rise, certainly at the federal level, not to rise even as fast as the economy is growing. I'm not sure that's reflected to the same extent at the provincial level, but it's a concern that's been expressed.

When we're running a deficit of the size that we are in this province, .5 billion, the end of this year the people of Manitoba will have another \$1.8 billion of direct

government debt to carry, and the interest charges on that, depending upon the rate, but if it's up around 12 percent, then we're talking about something over \$200 million additional interest cost on that debt incurred in four years; and that means that the revenue of the province is going to have to rise by over 1 percent just to pick that up.

The revenue to cover the increased cost on this year's deficit alone, which could be ranging \$50 million to \$60 million next year, that alone, I believe that comes to the range of well over 1 percent, so the other cost we're talking about is up 3 or 4 percentage growth; but just next year we're talking about something between 1 and 2 percent growth just to pick up the costs to cover things that have basically been consumed. How long can that go on; does the Minister see that continuing or does he some change? Does he see a period of time when government expenditures are going to have to be held down to less than the rate of growth in the economy? Does he see a period of time when government expenditures are going to have to rise at a rate less than the rise in revenue?

These are the kinds of things I'm interested in. I don't expect the Minister to have specific, hard, fast answers. We all know what happens to projections and we know that information that's given on the growth of the economy and published in the prospectus' that the province publishes that, for years past, the figures continue to be adjusted, three, four and five years after it's actually happened. But what I'm interested in is the Minister's understanding of where it's going and what kind of advice he's getting from his financial advisers as to where it's going and what's happening in this province. We'll get into some specifics as we go through the Estimates.

**HON. V. SCHROEDER:** Just very briefly, I believe that last year's economic growth in Manitoba will be seen to have been, including inflation, in the vicinity of 10 percent. I believe that this year, including inflation, we'll be looking at 7 percent minimum, that's 17 percent. In the same period of time, our government expenditures, we go print-to-print '83-84 to '84-85 and '84-85 to '85-86 - I was just looking at the print-to-print, 4.7 to 3.9. We would have to take back into that also the addition from '83-84 to '84-85, add in the amount that we didn't spend in '83-84, which could be a couple of more percentage points, but clearly, in the last two years government spending has gone up far less than the rate of growth in the economy. We've worked very hard at attempting to limit it and to do it in such a way that we're not going to hurt individuals.

The member is saying, let's not look at history, we've got to look at now. It depends on your definition of history. If we just go back two years, these numbers look good for the Provincial Government, I would think anyway. If you go back four years and you add on the two first disastrous years that we had when the economy went down, when the rate of real production, gross domestic product went down, then we look bad.

If we go back a little further we can redefine things in such a way that the opposition, when they were in office look pretty bad. Just one indication of that would be the way in which they campaigned on reducing the deficit in 1977 and managed, by their final year in office,

to have a deficit that was larger than anything contemplated by the Ed Schreyer Government. So, it depends on how you define histories. If you define it at two years, we look good; if we define it at four years, we don't look so good. If we define their history as just their last year, because that's the year the present Member for Turtle Mountain was the Minister of Finance, that doesn't look so good either because that was the largest increase in spending percentage-wise ever to have occurred in the province. If they take their full four years, they may look better.

In terms of revenue growth - I'm optimistic about revenue growth - I believe that there is a will in the country among all the governments to do something with respect to ensuring that proper amounts of revenue are collected. Just one example of that is the recent move by the Saskatchewan Government to implement the tax on total net income; they didn't get everything they wanted. As I understand it, the bureaucrats in Ottawa managed to prevent them from getting the total income, as at the bottom of Page 1. They tried very hard.

They allowed them to take it at one-third of the way down Page 2 which allows a fair number of loopholes that I think most elected politicians are opposed to. The bureaucrats find it easier to working with, but that's a start. As I understand it, it's not a flat tax in the Peter Pocklington sense, in that people are exempted up to a certain level of income. Those things can be adjusted, at least that's a start to ensuring that some people - I'm trying to get some of those statistics for Manitoba . . .

**A MEMBER:** That's not what Blakeney's saying.

**HON. V. SCHROEDER:** Well, I've talked with Mr. Blakeney. Mr. Blakeney is looking at it from a Saskatchewan perspective, and from that perspective he's saying, now here we have a government that's eliminated taxes on fuel, for instance, which many of the NDP constituents never paid because they're farmers, so that didn't help them anyway, but it did help the transportation companies and it helped some other people. Now they're adding on this other tax instead which is a little more money - approximately in the same range - and it has some of these features that I don't particular like, and I don't think members of the opposition would particularly like, but at least it's a start.

I'm happy to see that Mr. Andrew got that concession from the Federal Government. I am anxious to have discussions with the Federal Government with respect to that issue in the future. I know that the Federal Minister of Finance is looking at other ways of collecting revenues that will be fair, because it's not only, and I emphasize this, an expenditure problem, no matter what oppositions in this country would like to say. It is very very much a revenue problem. In the past, when we've had strong economic recoveries, we have had stronger growth in revenue. Those kinds of things haven't happened.

When you look at our retail sales and a whole host of indicators for Manitoba, there is no reason to believe that we haven't had a half-decent-sized recovery, not as much as we would like, but it hasn't been that bad.

The revenue just hasn't come in in the way originally predicted, because members opposite know we're down just on income taxes for 1984-85 by about - what? - \$90 million approximately. We're getting about \$30 million of that back at the cost of the Federal Treasury but, overall, we're going to be down very considerably in revenue from what was originally anticipated.

That wasn't projected by the provincial Finance Department to try to put some glow on. Those numbers have always been predicted by the Federal Department of Finance. Presumably, they are as accurate as those people can make them; we have always used them, all governments, and they have been wrong. Now we've made a prediction for this coming year based dollar for dollar on what the Federal Government has told us. We hope those numbers stay, and we hope that at least maybe this year we get on the opposite side of it and see some improvement in those numbers. But unless we get some changes in the way the tax laws work, we're not convinced that will happen.

**MR. B. RANSOM:** It's interesting to see that the Minister uses the federal estimates for income tax revenues, but he doesn't use them for equalization. We always used to use them for equalization.

Part of his answer sounds good on the surface to listen to, but the difficulty that I have with it is that, if the direction has been favourable in the last two years, why was the credit rating dropped yesterday, because it's reviewed each year? It isn't just something that happens every five years, it's something that happens every year after the Budget comes in. So what they did was look at the Minister's Budget and could look at the past year and his projections for this year and drop the credit rating. Why would that be?

**HON. V. SCHROEDER:** Let's just start at the beginning. You say, we use the federal numbers for income tax purposes and not for equalization purposes. I think that's a little bit unfair, because we did use the federal numbers for equalization. We added on the exact amount that we thought would be the minimum amount we would receive, because we were in the middle of negotiations, and there is no question we were in the middle of negotiations.

If we were in the middle of negotiations to change the tax collection formula with respect to income tax and we believed that we would get a different number because of that, and because the Federal Government had told us they were open to discussions on it. Then surely it would be reasonable in that year to say, well the Federal Government has said this is the official number, but we're still talking about what else might come along. I think we would put a different number in. I don't think it would make any sense not to put a different number in.

And, if we were budgeting, had we budgeted on the basis we were not going to get that money, I believe that we would have been doing a disservice to the taxpayers of Manitoba. I, quite frankly, believe that once there would have been a number out there that would have shown either an increased deficit of another \$72 million, or a decrease in expenditures of \$72 million by cutting back on our social programming, that would have been the end of the chances of Manitoba getting that money from the Federal Government.

**MR. B. RANSOM:** Well, it's the double standard that the Minister practises that concerns me, Mr. Chairman, because outside agencies were told that the Federal Government was going to cut back \$72 million. In fact, they were told for a long time that they were going to be cutting back hundreds of millions of dollars in transfers to the Federal Government, but they finally settled on cutting back 72 million, and that was the justification that was used for convincing outside agencies that they should be content with less funding.

Then along the Minister comes in his Budget, puts the \$72 million in so the deficit appears smaller, the projected deficit appears smaller than it was. That's the double standard, and that's the changing of the bookkeeping, the changing of the system that doesn't speak well of the Minister, and it doesn't do anything to establish any confidence of the bond-raising agencies or the people who have to lend money to the province, especially when we're going to be borrowing \$3 million to build a hydro dam.

**HON. V. SCHROEDER:** Mr. Chairman, I find those suggestions historically inaccurate. Just for example, I recall being personally involved in telling the school division - and this was about a month before the Budget, a month-and-one-half maybe - that based on the conversations I'd had with people in Ottawa, I was satisfied that there would be some money coming and therefore they would be getting the amount of money which they had been told they would get if they got the \$72 million, and they were entitled to budget on that basis.

Now, we can argue that maybe they didn't get enough money, but we told them originally - and let's go back to that - originally we told the school divisions we are going to give you so much money and of course there were different numbers for different divisions.

We also said, however, if we don't get our equalization, then this is subject to change. It made things somewhat difficult for the school divisions because they had to finalize their budget.

So after our discussions were three-quarters or 80 percent completed with Ottawa, and it was clear to me that there would certainly be some money coming, Cabinet made a decision to take these school divisions, for example, off the hook and say to them, whether we get the equalization money or not, you're going to have the money that we told you in the first place you would get.

I don't see anything improper about that; I think it was reasonable. I don't think it's improper to say in a Budget Speech that we're anticipating a change, that change will be worth a certain number of dollars. I think it would be very strange indeed if one weren't able to make those kinds of statements and make predictions that are closer to accurate than other predictions.

You see, what the member would have us do is put a statement in a Budget - you know, if we look back at it now and look at history - would have been out by far more dollars than what the Budget now is out. We would have been out by what? \$50 million, instead of the \$22 million we're out? The number we put down there is certainly closer to an accurate number than the number the member would have us put down and I don't think that's appropriate. And even if we were

guessing 50, I think that putting 50 in there would have been inappropriate.

If members here really believe that the rating agencies are going to use all of our numbers, even when we are in the midst of our negotiations, as the final final solution, then I think they're underrating the rating agencies.

**MR. CHAIRMAN:** Item 1.(d) - Would the Minister like to bring in his staff?

**MR. G. MERCIER:** . . . (inaudible) . . . if he could tell me where in his Estimates or where I would find the expenditures related to The Elections Finances Act, or is that in another department?

**HON. V. SCHROEDER:** That's not our department.

**MR. CHAIRMAN:** The Member for St. Norbert.

**MR. G. MERCIER:** Mr. Chairman, I would ask the Minister of Finance if it has been budgeted and, if so, where would I find it?

**HON. V. SCHROEDER:** The guess over here is that it's in either Civil Service or Legislation.

**MR. CHAIRMAN:** The Minister of Municipal Affairs.

**HON. A. ANSTETT:** Mr. Chairman, certainly there would be provision for the Tax Credit Program, which is provided for under the statute introduced when the Honourable Member for St. Norbert was the Minister, in the Estimates of the Department of Finance.

**HON. V. SCHROEDER:** Is that what you've looking for?

**MR. G. MERCIER:** No.

**HON. A. ANSTETT:** But the actual Election Office is the final resolution under the Department of Legislation.

**MR. CHAIRMAN:** The Member for Turtle Mountain.

**MR. B. RANSOM:** There's one staff year increase in this area under the professional category, if the Minister could tell me what that is.

And there is a Reconciliation Statement on Page 17 of the supplementary information that shows some transfers of staff functions. Perhaps the Minister could explain that.

**HON. V. SCHROEDER:** Mr. Chairman, that's a transfer of the staff year from either the Civil Service Commission or Labour. What happened there was I was formerly Minister in charge of the Civil Service Commission and I believe that that's probably where it showed up. When that was changed, I retained the position of Chairman of the Compensation Committee of Cabinet. This individual reports or does the leg work for the Compensation Committee, keeping in touch with the variety of Crown corporations, the unions and so on, and is basically a trouble-shooter in that area.

**MR. B. RANSOM:** I notice throughout the Estimates, throughout the supplementary information that is

provided, that there has been quite a substantial increase in the communications budget. Under Other Expenditures there is a line of Communications, and when those are totalled up, according to my figures, the total in '84-85 was \$191,900; it's now \$225,200, for an increase of 17.4 percent, while the overall budget of the Department of Finance is up by 6.1 percent. Why is that sort of increase necessary?

**HON. V. SCHROEDER:** I am told that it's basically because the WATS system rates have gone up. That's where the costs . . .

**MR. B. RANSOM:** Is that sort of expenditure then throughout the government in every department, that sort of increase?

**HON. V. SCHROEDER:** Yes, Mr. Chairman.

**MR. B. RANSOM:** Where do we find in here who is responsible for managing the preferred share issue that the province did last year and the consequent bookkeeping in terms of the rentals, the buildings, and that sort of thing?

**HON. V. SCHROEDER:** Mr. Chairman, the administration within the department is from Treasury division and they also have outside assistance.

**MR. B. RANSOM:** How many people provide support to the Treasury Board now and does Mr. Curtis still serve as secretary of that board?

**HON. V. SCHROEDER:** Mr. Curtis is the secretary and there's still Treasury Board support for that operation, the support and financial analysis system.

**MR. B. RANSOM:** How many people?

**HON. V. SCHROEDER:** In Treasury Board in support of financial analysis I believe there are 25 people. There's an increase of two.

**MR. CHAIRMAN:** Item 1.(b)(1)—pass; Item 1.(b)(2)—pass. Item 1.(c) Financial and Administrative Services: (1) Salaries—pass; 1.(c)(2)—pass.

Item 1.(d) Personnel and Training Services: (1) Salaries - the Member for Turtle Mountain.

**MR. B. RANSOM:** What sort of programs are going on in this area now in terms of training to other departments?

**HON. V. SCHROEDER:** The key area of the Personnel and Training Services is in assisting and training financial managers in the other departments. I'm not sure whether there's the additional information on the supplementary. If the member wishes, I could just send him a copy of the notes I have over to him. That might be the easiest thing to do.

**MR. CHAIRMAN:** Item 1.(d)(1)—pass; 1.(d)(2)—pass. Item 2. Treasury Division, (a) Salaries - the Member for Turtle Mountain.



**MR. B. RANSOM:** Can the Minister tell us which buildings have been sold in the Manitoba Properties Incorporation?

**HON. V. SCHROEDER:** Mr. Chairman, just keeping in mind that they've been transferred at fair market value, transferred to a corporation of which the Crown is the sole owner of any common shares, I'm told that we will be able to get a list of those buildings out to the member. Basically any office and administration buildings are owned by the Crown.

**MR. B. RANSOM:** Is the Legislative Building one of those?

**HON. V. SCHROEDER:** No, Mr. Chairman.

**MR. B. RANSOM:** What other exceptions are there then to buildings? Are we talking about just buildings in Winnipeg? Are we talking about office buildings in Brandon? Is this corporation now going to be the vehicle that manages office space for the government?

**HON. V. SCHROEDER:** Mr. Chairman, it is not only in Winnipeg, it is certainly throughout the province. They will not really be managing; they'll be the holder and developer of properties for the province for a period.

**MR. B. RANSOM:** "For a period," the Minister says. Can he indicate for how long a period, and then are these buildings going to be transferred back again to the Department of Government Services? How many employees does Manitoba Properties have, for instance?

**HON. V. SCHROEDER:** Actually it doesn't have any employees. The Department of Government Services rents the properties from them and operates them on behalf of the province.

**MR. B. RANSOM:** Does Manitoba Properties Incorporated make a profit?

**HON. V. SCHROEDER:** Probably after depreciation it wouldn't be taxed.

**MR. B. RANSOM:** How are they able to pay dividends if they don't make a profit?

**HON. V. SCHROEDER:** Actually we're paying dividends before depreciation.

**MR. B. RANSOM:** So it's by way of claiming depreciation that the government is able to avoid making a profit in this corporation?

**HON. V. SCHROEDER:** Yes.

**MR. B. RANSOM:** Mr. Chairman, this sounds remarkably like a front to me. Has the government taken advantage of a tax loophole here in this case?

**HON. V. SCHROEDER:** Yes, Mr. Chairman.

**MR. B. RANSOM:** Well, I guess it's at least doing better than some Crown corporations that have a lot of employees. You can say that much for it.

In the Estimates of the Department of Government Services there is an amount of money - if I can find it - \$36 million allocated for rental payments as a result of the sale and lease back of government owned buildings to Manitoba Properties Incorporated.

I asked the Minister earlier in question period about this, but I want to make certain that I'm correct. Is it correct to assume that the \$36 million is in fact going to pay interest on the money raised by the sale of the preferred shares?

**HON. V. SCHROEDER:** Mr. Chairman, the payments of course to the corporation are rental payments. However, the corporation pays out dividends which about approximate the amount of rent it receives. It winds up it's a break-even proposition corporation.

**MR. B. RANSOM:** How much money has been raised to this point approximately through the sale of the preferred shares?

**HON. V. SCHROEDER:** The original sale was stopped at \$200 million, and there had been \$70 million worth of warrants . . .

**MR. B. RANSOM:** 70?

**HON. V. SCHROEDER:** 70 exercised, and I am informed that we expect that probably there'll be some more exercised before the expiry date, which is, July of 1985.

**MR. B. RANSOM:** Then where do we find the interest cost, or the \$270 million that's been borrowed that way? Where do we find the interest cost listed in the Department of Finance Estimates?

**HON. V. SCHROEDER:** Mr. Chairman, it is included in the Public Debt cost for the year. There's an anticipation that the full amount will be subscribed for and if it is not we would have to go to the public market.

**MR. B. RANSOM:** So then the answer that the Minister gave me in the House some weeks ago was incorrect, that the \$36 million item then for rentals has nothing to do with interest costs, is what we're being told now, but that it's being charged directly through the debt servicing item?

**HON. V. SCHROEDER:** I think maybe we are playing with words a bit here. The \$36 million is being paid in rental costs which, otherwise, if we still owned the building, we would have been paying in interest costs, probably a little more than that. I am not sure that it helps the member but that's the best I can do at this stage.

**MR. B. RANSOM:** Well, that's where the confusion arises then. If this money had just been out and out borrowed at 9.75 percent, it would clearly show in the public debt. Now there is an item here of \$36 million now for rental payments and, I believe, that the Minister just said that, if they weren't paying it in rent, they would be paying it in interest, but he previously told me that it was already included in the public debt item, and that's where the confusion arises.

Do we need to . . .

**HON. V. SCHROEDER:** Maybe I'll try again. The borrowing requirement is in Public Debt. The payment is over there in Government Services. Does that help the member? As I understood his question the other day he was saying, can you add the \$36 million on top of what we're showing in Public Debt as interest costs? And I said, well, it's quite similar, it's the dividend payment - I don't recall exactly what I said - but it's the dividend payment, or the rental payment which is then paid out in dividends which certainly could be equated to . . . If we hadn't done that we would be paying interest and at a slightly larger amount.

**MR. B. RANSOM:** The bottom line has to do with the statutory debt shown in the department as \$263 million for this year. Now then, does that include all of the interest costs that the province has incurred, including the interest costs on these preferred shares?

**HON. V. SCHROEDER:** All interest costs are included in the \$263 million.

**MR. B. RANSOM:** Well, I want to know how it balances, Mr. Chairman, because there is an item in Government Services which shows that there is a \$36 million cost, an increased rental cost to the government. Where's the other side to that cost then that the government has incurred?

I can't follow it through. The Minister is giving me some assurance that it's in there but I find, at this point, that there is a debt cost of \$263 million; and I also find the cost of \$36 million for the rental of buildings.

I think what the Minister is saying, that there would have to be a revenue item then offsetting the \$36 million somewhere, or else there is, in fact, an additional \$36 million cost to the government here somewhere.

**HON. V. SCHROEDER:** Mr. Chairman, I am undertaking to provide a written explanation to the member explaining the flow through, but basically our costs are this \$263 million, plus the \$36 million. The \$36 million is paid by the province to the corporation, which pays them out in dividends.

Now there are other interest costs, but I am told that they net out. If that's satisfactory to the member I'll get a written explanation from staff before the end of the Estimates.

**MR. B. RANSOM:** The Minister starts out to assure me of something and then he says, plus the rental costs. I want to have a figure that is strictly comparable to the debt servicing costs to the province that were there last year or the year before, and know this year what's the total cost of carrying the debt that the province has, whether that \$263 million is actually that figure.

**HON. V. SCHROEDER:** Mr. Chairman, at this stage I am probably more confused about where the dollars came from and are heading to than I was before the questioning started. I will get some material together and answer the questions later.

**MR. B. RANSOM:** I will accept that for the moment, Mr. Chairman, but I would hope to have some

explanation of it because I certainly don't want to be using information that isn't accurate and doesn't accurately reflect the real cost to the government.

The Minister doesn't seem to understand so I guess it's not too difficult for him to appreciate then, that I can't especially understand it from the information provided, and I doubt that any of the taxpayers of the province would be able to understand it.

Is this the section where we can talk about the impact of the drop in credit rating, Mr. Chairman? Does the Minister have the appropriate staff before him? He is indicating that he does.

I wonder if he could give some indication of what markets he thinks might be affected and what markets he thinks might not be affected, and is there information available from experience elsewhere, with private corporations perhaps even, that would indicate what the impact might be for Manitoba. I am talking about the effect in terms of basis points that we might suffer in different markets around the world.

**HON. V. SCHROEDER:** Departmental officials have been, as they do on a daily basis, talking with a variety of their underwriters, including our lead underwriters in a number of markets, U.S., Canada and Europe.

The view is that in Canada and Europe there would be no effect; in the United States there could be an effect, not necessarily, but there could be an effect of up to 12 basis points, which is one-eighth of 1 percent, approximately. There is no effect expected on the Swiss or Japanese markets.

I should add on that one that I don't believe we've been in touch with the latter two, to date.

**MR. B. RANSOM:** I was just about to ask the Minister then why he would assume that the lenders in Japan and Switzerland would not in effect pay any attention to a change in the rating. That seems unusual to me that that would be the case. I would have thought they would have watched and looked very closely at what the bond rating agencies would say. Perhaps the Minister will have more information on that within a few days.

Is this going to change the government's borrowing plans? Will they be attempting now to borrow more money in the markets where they think there is going to be the minimum impact, or do they have that flexibility?

**HON. V. SCHROEDER:** The process will not change. Basically, people will be looking around, as the department has in the past, to get quotes from the different markets.

I should say in terms of, just for example, Switzerland, most of the Canadian entities doing business there have credit ratings that are below ours. They don't seem to have any differences in rates from ours, No. 1.

No. 2, I recall several years ago when I was over there meeting with some people from the financial community - and it wasn't only in Switzerland, it was in other parts of Europe - people made it very clear, for example, that anything that happened to Dome, which was then in trouble, and the Canadian Government did not bail it out, they would see that as an issue for all of Canada; that would hurt all of Canada.

Of course, there was no contractual connection, no legal connection, nothing more than simply a Canadian company that was following Canadian policy, and it was seen by those people as being connected with Canada and that's why they got the rates they did. That's the way, basically, we are told, the investment community sees our provinces. They are familiar with Manitoba out there, and we have no reason to believe that there would be any change. If we hear anything different, we would certainly be prepared to discuss that further.

Keep in mind as well that in the one market where there is an indication that there could be some impact, we haven't been there much lately and indeed, in the longer report by Moody's, they indicate our problem with respect to the cost of exchange rates. Of course, it's the U.S. dollar problem there that has caused that problem for Manitoba which really goes counter to some of the arguments that were being made in the late 1970s with respect to where the province could get into a great deal of difficulty - indeed, it's been the exact reverse.

**MR. B. RANSOM:** What the Minister seems to be telling me, relating the situation with Dome then, is that it's really the Federal Government's situation that could be more important to Manitoba, that if those borrowers are looking at a situation with Canada more than they are the situation with Manitoba, then we should be very concerned about the kind of deficit that's being run at the federal level.

But, specifically, how does Manitoba stand relative, for instance, to Nova Scotia and New Brunswick in what we have to pay for money? It's my understanding that both of those provinces are rated with just a single A, one notch below where Manitoba is? Well, how does our borrowing cost stack up against theirs?

**HON. V. SCHROEDER:** Mr. Chairman, there has been some differential, as I'm told there was historically, I think going back over the years, regardless of where Manitoba's credit rating was between a Western entity and a Maritime entity and that would be expected to continue to exist at about the same level. We don't expect, again, the significant changes as a result of that change in credit rating as compared to those people.

**MR. B. RANSOM:** That really isn't my question. What I was interested in knowing is, if New Brunswick and Manitoba are both going to the market tomorrow to borrow \$50 million, how much more is it going to cost in New Brunswick to borrow than it is Manitoba?

**HON. V. SCHROEDER:** I'm told that in Europe there'd probably be no difference. There occasionally could be up to say five basis points, but that's on the basis that the maritime provinces - it's a perception thing as opposed to a rating thing; just as in the United States, there's a perception that the western entities are stronger than the maritimes. They don't just look at rating numbers put out by Moody's or anybody else.

**MR. B. RANSOM:** Well, I find this rather strange, really, to get this kind of response from the Minister because what he seems to be telling me, and evidently the advice

he's getting is that this reduction in credit rating is really not very significant - and we've got two credit rating reductions now in the course of this government - and I'm told that it has more to do with perception between governments in the east of the country and governments in the west, and some people see Canada as being the backer of the provinces; but yet in other markets it is going to make a difference.

It's a little difficult to understand and I wonder if the Minister isn't minimizing the impact of this, because what he's saying really is that another notch isn't going to make that much difference either.

At what point does it start to become serious? Are there any people out there now who hold bonds of the Government of Manitoba that will not be able to hold them now because they are A1 instead of AA-minus? Will they not be able to hold them when they become A's? Will they not be able to hold them when they become BBB, or whatever the next rating is? Surely there has to be some point in time where credit ratings are really going to be significant to this province, or else why has anybody been concerned about them in the past?

**HON. V. SCHROEDER:** I'm told generally, when you're looking at those kinds of investors, you're looking at a cut-off in the range of A. Again, I'm told that under market conditions the way they exist at present, there would be in the various markets no discernible impact on Manitoba. Where there could be an impact, if the markets were really tightened up, where there was simply not the capital available and then you could see, rather than necessarily rate problems, problems of having the lenders heading for the triple A's and so on.

**MR. B. RANSOM:** Well, I'd like to know at what point Manitoba is going to find themselves in the situation with refinancing, where they are simply not going to be able to roll over money that they have borrowed from some institutions; that they're going to have to go out and specifically borrow from someone else to pay off someone else because they say we're no longer prepared to accept this risk.

My concern is, at what point that Manitoba might find itself having to refinance issues that are out there now and that the people holding those issues may have by-laws that say they cannot hold issues for a borrower that is rated below a certain level, whether it's A, A1? At what point are we apt to find where some of our bond holders will say, because of their by-laws, that they can't hold them anymore, and when we go out there to refinance them we will have to go to another lender to borrow money specifically to pay off the first lender who is no longer willing to carry the risk? There has to be some point as I understand it where that's apt to happen. I'd like some indication from the Minister just what that breaking point is.

**HON. V. SCHROEDER:** Mr. Chairman, I can get further advice from staff, but as he knows there are other provinces who have debt structures that are considerably higher than ours. We don't appear to be having that problem.

I look at New Brunswick, for instance, which has a level of debt as a percentage of gross domestic product

at 26 percent; Nova Scotia is at 46 percent; Newfoundland is at 60 percent, and I shouldn't say is, this was as of March 1, 1983.

I believe those numbers certainly haven't improved for those provinces since. They've all run deficits that, as a proportion of gross domestic products, certainly would be as large or larger than ours since then. They don't seem to have had any difficulty with respect to refinancing, including at least one of those provinces who is at a B, AA.

**MR. B. RANSOM:** That really isn't the point. They have been at a lower rating for some period of time; we have not. We have slipped now two ratings in the last couple of years. The staff must be able to say, yes or no, that it's just not a concern, that within the next two or three years we just simply don't see any refinancing to be done by anyone who might be scared off if the rate was to slip another notch, for instance.

**HON. V. SCHROEDER:** Mr. Chairman, we've slipped half-a-notch with each of the two agencies. I'll check, but I believe that some of those people in the last few years have slipped more than that; it is a full notch, and possibly several of them have done that. They have not had any difficulty, even though they are now below us, and were then below us, in financing and refinancing.

**MR. B. RANSOM:** Is the Minister then saying that he is not concerned about this, and that he doesn't intend to change the direction that the government is going, because clearly they have been looking at the government; they have assessed their Budget for this year before making this decision, and they have come to the conclusion that they should lower Manitoba's credit rating. Does the Minister plan to change the fiscal management of the province in any way as a consequence of that reduction in rating?

**HON. V. SCHROEDER:** Mr. Chairman, I don't believe that, based on our information with respect to this issue, it would make sense to be making some drastic changes in government policy as a result of Moody's report.

That doesn't mean at all that I'm not concerned about the level of the deficit; I am concerned and I think that, over a period of time, we do have to reduce it; there's no question about that. I have a fair amount of optimism that we will be able to do so with some increases in revenue in the fairly near future. I do not see us being able to make any significant amounts of cuts in expenditures without significant hardship for segments of our population.

I think that's borne out by what members opposite have been saying. They have been pointing that even these levels of expenditure we're at now are not enough in many areas. They've been wanting us to spend more in large numbers of areas of our jurisdiction, and I can sympathize. They also don't want us to tax in the particular ways that we're taxing, although they're not saying how they would tax.

There is no question that we would like to see reduction of our deficit, reduction of our debt, especially as a proportion of what we're doing. Because there is no question that, when we're putting on these debt charges, it does make it obviously more difficult for

the year after, because there is certain money that has to go for debt payment costs. But I see it in that context and in the context of what we can do in the province in the future, as opposed to this particular issue of this particular credit rating agency or any other.

What we have to recognize, as well, is the alternative of not having done what we did in terms of spending plans by the government. That's something that I think those who keep talking about reducing deficits because they're stymieing people and so on fail to address. I saw in the Free Press today an article that suggested the Chamber of Commerce was suggesting that the deficit had something to do with difficult business environment. What utter nonsense! What absolute utter garbage! If they just stopped and thought for a second about where they would be without that expenditure, where they would be had we kept expenditures in line with revenues in 1982, 1983, 1984; do they have any idea what kind of revenues we would have in 1985? Do they think that we would now have the economy as strong as it is in 1985?

I don't believe they believe that. They know full well that those hundreds of millions of dollars of extra spending in those years made a tremendous difference to their businesses, made a tremendous difference to their ability to remain in business and remain in this province. When people suggest they're leaving, well my goodness! When is the period in our history when we've had more people leaving this province than ever? It was from 1978-1981, when we had a government which was attempting, at least originally, to do exactly what those people are now saying we should do - acute protracted restraint.

They're certainly not talking about raising taxes in order to meet our difficulties. What they're talking about is reducing expenditures from a level where we are now the third-lowest in the country. What they are talking about is kicking the crutches out from the poor in this province. I will not be a part of that . . .

**A MEMBER:** We've heard that before.

**HON. V. SCHROEDER:** Mr. Chairman, that kind of economics does not make sense for now, does not make sense for our future. We have to come down the . . .

**A MEMBER:** Spend your way out.

**HON. V. SCHROEDER:** Well, we hear this nonsense about, spend your way out of it. That is such incredible nonsense. Here we have practically every member opposite has been standing up in the House saying, we're not spending enough money. You know, the one area where they've decided we should cut spending is in advertising. That's the one thing they can stand up and say. And what would that do? I think their numbers are \$7 million. And they would eliminate the Health and Education Levy which is \$108 million. Now they're \$101 million short of where they started out.

Where are they going to find that 101 million. They're not going to raise the sales tax. We've heard the Leader of the Opposition criticize me when I suggested that's what they were going to do, because their former Deputy Leader said they were going to do that, or we should

have done it. I couldn't use his - it's not fair. They weren't going to do that.

They're not going to raise any other taxes, at least, certainly they haven't said what they would do. Where would they cut that 101 million just to get down to where we are, in terms of our deficit? Then add on the double hospital at Vita; and then add on opening up the Boissevain Land Titles Office; and then add on more here, more there, more everywhere. We heard members talking about how we're going to have more nursing homes. We're going to have more nursing homes in his area. There should be more senior citizen's housing all over the place. Their candidates are running around the countryside attacking us for not providing enough in Jobs Fund for their recreation projects in places like Selkirk. You can go on and on and on and on. You start adding those things up, and then you start asking when are we going to get into the world of reality down there? When are you going to come into the world of reality?

**A MEMBER:** Honesty, not reality.

**HON. V. SCHROEDER:** Honesty? Mr. Chairman, honesty, that has got to be the biggest fraud. We had the Leader of the Opposition standing up before a group of supporters the other day, I believe, at the Westin or somewhere, and he said, what Manitobans want is the truth about their economy, about how things are going. You know, it sounded as though he was going to have a good, tough speech, and he was going to say this is where we're going to go. What did he say? Oh, we're going to eliminate taxes for you people. Did he say anything about any tough decision that he was going to make, anything about anything that somebody in that audience might disagree with? Not a chance. That's the party party speaking again. Everything is nice and fluffy from the perspective of their leader.

It's time that we started talking in terms of some sensible alternatives — (Interjection) — Well, of course, education, they're saying we are not spending enough money. They're saying we are not doing enough for the hospitals. We heard four weeks of moaning and groaning by their health critic about how we weren't doing enough here, there and everywhere.

I don't know; I just don't know what kind of answers we are going to get from that group over there. We all want to see a reduction in the deficit. That reduction, as long as I am involved in helping to make the decisions of government, will not come in the way those reductions in expenditures came in 1978 and 1979. They will come as a result of changes in our revenue, and I will not apologize for that.

I believe Manitobans agree that we are not spending too much on education; that we are not spending too much on health; that we are not spending too much on agriculture; that we are not spending too much on all of those kinds of programs, our social programs, our children's programs; we are not spending too much on those things; and we are going to have to pay a little more to make sure that those things remain in place.

What we have to do - and I come back to this again and again and again - we have to make the taxation system fair, and then we have to ask those who are

able to, to pay more, because we are not paying enough right now for the circumstances we are under. I think that we should be able to raise more revenue. If people want those services, if they want those parks, if they want those schools, if they want Red River Community College, if they want all of those things to be there and to provide for quality living for Manitobans, then they will simply have to accept that overall there will have to be more revenue raised.

I believe that they are prepared to do that. I believe that Manitobans don't want something for nothing on the basis that some future individual living here will pay for it. I also believe that Manitobans recognize the difference between paying for park costs and paying on capital works, where today's taxpayer may well not be the taxpayer who enjoys the benefit of capital expenditures incurred today. He might be prepared to pay for today's portion but might say that the other portion should be paid by those people who will be around to enjoy those things.

So that, yes, there is a need to come down in terms of our deficit; not because of some agency in New York that frequently makes mistakes. You know, those people are as fallible as we are. I know that members opposite would never say that everything that those rating agencies say must be true. We might agree sometimes with what they say and say, yes, that's true; and other times we might disagree. Sometimes they will agree; sometimes we will agree.

I have a statement here with which we on this side would agree, and I am sure that those on that side will disagree; the very same rating agency which has put us at A1 yesterday, when they brought us up in 1975 - and I am quoting from their bond survey - "Provincial authorities have realistic expectations and good prospects of realizing them. They have demonstrated political sensitivity and pragmatic business acumen in reassessing and restructuring several major development schemes that went awry." What were they talking about? They were talking about flooding half the North and giving the other half away. They were saying the Schreyer Government put a stop to that.

This, Mr. Chairman, is the answer to the Tritschler Commission; this is the answer to those who suggest, as the Member for Sturgeon Creek so often does, that somehow we mismanaged on Manfor. This demonstrates that those wizards in New York, you know, they have given us the stamp of approval. Now they might not be completely right; but if they weren't completely right then, they need not necessarily have all their information together today. I say that with the greatest of respect, because some of the things in that report are demonstrably wrong. Some of those things, we can prove to them, are simply matters of historical fact that are inaccurate.

One example of the report released to us today indicates that we still need regulatory approval for our sale of hydro-electric power in order to commence Limestone. So, you see, these kinds of things - I am not the only one who reads these things, and I am not the only one who knows that sometimes those people can make mistakes of fact. Investors do that too.

So I don't think we should take those people - and to be fair to him, the Member for Turtle Mountain hasn't panicked. He is right when he suggested that it was improper to use that term. He hasn't panicked and I

think that it's appropriate not to panic. If several years, five, six years down the road from now, Moody's bring us back up to AA, I will be standing here, probably, in the same position, explaining that it's probably not the biggest deal in the world but we'd rather have two than one. Just as I say today, I would rather have two than one. But that's not the end of the world and I am not going to be a part of a — (Interjection) — that's right, I'd rather have three. I will not be a part of a government that will make all of its decisions based on some agency in New York.

**MR. B. RANSOM:** Does the Minister remember the question I asked him?

**HON. V. SCHROEDER:** Yes.

**MR. B. RANSOM:** It's a pity he didn't answer it, then. What I find with this Minister is that when he gets a little short on knowledge, then he hits the bafflegab button and he's off for 20 minutes.

I was just asking him some questions to try and determine some of the factors that affect the province's ability to finance. I happen to think that's important when the province suffers a reduction in its credit rating. I happen to think it's important that there have been \$1.8 billion of debt incurred by this Minister in four years that the young people of today and tomorrow are going to have to carry, that they are going to have to pay for.

I want some assurance that they are going to be able to do it, that we aren't going to run into what might be considered a panic situation not very far down the road. I am trying to get some information out of the Minister. They are his Estimates; he can take as much time as he wants to give us that bafflegab, but I wish that somewhere, while he's giving it, he would also slip in a little bit of factual information at the same time.

What kind of plan does the government have for financing the Limestone development? Is there any special plan in place to finance that?

**HON. V. SCHROEDER:** Mr. Chairman, there is nothing in place at this time. The departmental officials are meeting with a number of interested financial organizations, some of whom are working on off-book financing, project financing, somewhere, looking at bank consortiums and so on. All the options are still completely open. There has certainly been a lot of enthusiasm expressed by a variety of investment houses. I think we have just recently asked them for a - there is a deadline put on - yes, we have asked them to have something in, their suggestions in by the end of June. That doesn't mean that we would be - but that would give us some time over the next number of months to analyze because we really don't have to have a package in place even within the next year, theoretically.

You know, we might be borrowing some money for Limestone, but we could be doing it in the same fashion that previous governments have borrowed for other capital works projects. There is \$140 million in the current year.

**MR. B. RANSOM:** At one time the Minister had spoken, I believe, about project financing, and they talked about

being able to take advantage of the AAA credit rating of Northern States Power. Is that sort of thing still under consideration? It seems a little unusual to me that the province would not be further advanced with ideas of how to fund this program. It's going to be a doubling of the debt of Manitoba Hydro, and many other utilities are delaying construction, wanting to avoid building at a time when interest rates are running so much higher than inflation. It seems to me that the province would want to have a pretty definite idea about how this project is going to be financed. Can the Minister give us a little more indication of just what's being considered?

**HON. V. SCHROEDER:** When you're referring to the NSP's AAA, of course people are looking at the contract, and if they're going to do it on that basis, they're doing it on the basis of, obviously, the customer's ability to pay, because that has a lot to do with whether they get their money back presumably if they're into that kind of a situation, and we've had a number of investment houses tell us that it's a very good contract. I'm quite pleased with it.

The member is right when he says you do want to look at interest rates, costs, and so on when you're building, and we've got historically high interest rates right now compared to the rate of inflation, and they're far higher than one would like to see. There's no question about that.

There are two other points though that should be made. The first is, that at this particular time we appear to be getting far better pricing than we had expected or than what we might receive at a time when there is more economic activity out there; so while you could have lower rates possibly at a different time you might have considerably higher construction costs and you might wind up with no better a position.

We also are at a period in time where we believe we would need the project in any event two years later than what's now being planned, the two years start-up being advanced, being on the basis of the sale. As the member knows we have a National Energy Board Agreement that our numbers are not wrong and a two-year advancement will provide us with a net profit to Hydro in addition to the economic spinoff that is achieved right now by commencing that particular profit - and that's after interest paid.

I sometimes wish the leader of your party would recognize that because he keeps talking about the interest costs. He never talks about the fact that the profit referred to by the National Energy Board is after interest costs.

Finally, when we're talking about interest costs, we should keep in mind that the escalation factors in this contract have to do with interest costs on the part of the consumer as well. Northern States Power has in its rate base its cost of capital. It's cost of capital, indeed, is given at a much higher rate than our cost of capital will be at any given time, so we are protected in that sense and that, of course, doesn't look after the whole dam. We've still got another part of it, which, without the contract, we would still have to build two years down the road, the difference being that then we would have a plant that starts in - although it wouldn't be completed in 1992 - would have its first generators in place instead of in 1990. It's in 1992 that

we need the power here, but we will then have a dam across a whole river. We might use 100 megawatts and we've 1,100 spilling over the dam, and we're paying the interest on the whole dam. So if you look at the other things we could do, I don't think the options are that great and that doesn't negate the fact that interest rates are high. We would like to see them lower.

I should just say one other thing and that is when you talk in terms of off-book financing, I'm not sure that it would make any significant degree of difference now, having spoken with investors, having spoken with the rating agencies and so on. I believe if it wasn't tied into the utility itself, if it was just tied into Manitoba Hydro, for instance, it could well be that the costs could be higher. I don't know. But that's certainly something that we will have to take a very serious look at. I think that lenders would certainly want insurance of some form or another, or the risk premium in lieu of insurance for being involved with the project during the period of construction.

Now, once the construction would be completed it would be quite a different situation for the money lender. It would be quite safe, and I'm sure that if we were to possibly do the financing in such a way that it was a province that was at risk during the building, it might be different. Certainly there would be different terms than if we were not.

**MR. B. RANSOM:** Is the Minister saying with respect to the Northern States Power contract, the interest rate that the province is going to be paying is irrelevant to that contract?

**HON. V. SCHROEDER:** Could you repeat that?

**MR. B. RANSOM:** I just asked the Minister, whether or not with respect to the Northern States Power contract, that the interest rate that is going to be paid here is irrelevant. In other words, is Northern States Power going to pick up the interest whether it's 12 percent, 13, 14, whatever the case may be?

**HON. V. SCHROEDER:** Not directly. What it will do, and basically our rates will not be much different from their cost of capital, but they're entitled to a rate of return on their investment in addition to that by virtue of their - I'm not sure whether it's The Public Utilities Act or whatever it is in the State of Minnesota - so the last I saw I believe their cost of capital is calculated somewhere in the vicinity of 16 percent.

It had in it a rate of return to the company and of course that's part of their cost in terms of calculating what their rate base is and that, in turn, leads to the cost of the revenue they receive for their power. So there is not a direct relationship. Certainly, if we were able to finance something at considerably lower than what they are paying, what it would mean is greater profits for us.

**MR. B. RANSOM:** Exactly, and if our rates are higher, it means less profit for us. — (Interjection) — Well, Mr. Chairman, if we have just - as we have - had our credit rating reduced, is the Minister telling me that if that results in increased interest cost, to borrow to build that \$3 billion dam, that that isn't going to be reflected as a cost to Hydro in Manitoba?

**HON. V. SCHROEDER:** Mr. Chairman, I think one has to be careful not to get off into some speculation about something that is totally unlikely to occur. We've been discussing interest rates, the effect of this particular reduction in credit rating, and I've indicated to the member that in most markets it's not going to make an appreciable difference to our rate of borrowing. Even at the outside, we're talking about 12 basis points, 1/8 of 1 percent, and the difference between that and the difference now between our rates of borrowing and the rate that is in the rate base of NSP means that there's just no possible way that that hypothetical question of the members could be in circumstances where it could come true.

We've had offers; one, for instance, had a flat 20 basis points, 1/5 of a percentage point over the federal T bills over the whole period of the loan, a 10-year loan, that T bills have been lower than our cost of borrowing for quite some time.

We've had a proposal from another organization that suggested a rate that would be somewhere between 3 and 4 percent above inflation, which would put the rate at this time at 7 or 8 percent; it could put it at a completely different rate at some other point in time.

Either one of those proposals, which I'm not suggesting we should accept, because obviously they have some dangers to them, could put us out of step, either higher or lower with NSP, you know, if we took all of the financing, which I don't imagine we would do unless we had something that we were quite satisfied is going to track NSP or be lower than NSP.

**MR. B. RANSOM:** According to my calculations, Mr. Chairman, and the Minister can correct me if I'm wrong, the potential for increased costs in the financing this \$3 billion development is such that they can very rapidly assume tremendous proportions. If the Minister talks about even 12 basis points, I would venture to say, without having worked it out at 12 basis points, that on \$3 billion over a period of 12 years, that would result in additional costs in the range of \$100 million; that 15 basis points will give you an additional cost of over \$120 million over 12 years. So that what we've seen here today by the fact that Manitoba's credit rating has been reduced, that if it is to even have that 12 basis points, we're talking about a cost in tens of millions, maybe a hundred million additional costs to Manitobans over the period of time over of the Northern States Power contract.

The effect of a very small amount of interest on such a huge amount of capital is obviously very great, and it seems to me that the government would want to have something pretty secure by way of financing before they begin to go with that \$3 billion investment. Now, the Minister makes one suggestion, he says they have had one offer of 20 basis points above the T bill rate for 10 years. Is the Minister suggesting that that would be a rate that would float with the T bill rate? And they're indicating, yes. That just scares the hell out of me, Mr. Chairman, to think that the government would undertake that.

I've seen hundreds of farmers, and I'm sure the Minister of Agriculture can back us up, who were forced off a fixed interest rate of borrowing a few years ago onto one that fluctuated with the prime rate. And they

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borrowed at 10 percent and found themselves paying 23 before many years had passed, and on \$3 billion, to think that we would even contemplate tying ourselves to a floating interest rate is absolutely staggering. I hope the Minister is getting some good advice on that, but when you think that 15 basis points over a 12-year

period can hit you with an additional \$120 million cost, think what several percentage points of interest could do.

**MR. CHAIRMAN:** Order please. The hour is 5:30 p.m., time for the dinner recess. I am leaving the Chair and will return at 8:00 p.m. tonight.