

Second Session - Thirty-Ninth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Legislative Affairs

Chairperson
Mr. Doug Martindale
Constituency of Burrows

Vol. LX No. 2 – 5 p.m., Thursday, May 29, 2008

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Ninth Legislature

Member	Constituency	Political Affiliation
ALLAN, Nancy, Hon.	St. Vital	N.D.P.
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ASHTON, Steve, Hon.	Thompson	N.D.P.
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HOWARD, Jennifer	Fort Rouge	N.D.P.
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON LEGISLATIVE AFFAIRS

Thursday, May 29, 2008

TIME – 5 p.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Doug Martindale
(Burrows)**

**VICE-CHAIRPERSON – Ms. Bonnie
Korzeniowski ((St. James))**

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Ms. McGifford, Hon. Mr. Selinger

Ms. Blady, Messrs. Borotsik, Cullen, Derkach,
Ms. Korzeniowski, Messrs. Maloway,
Martindale, Ms. Selby, Mrs. Stefanson

Substitutions:

Mr. McFadyen for Mr. Cullen

APPEARING:

Mr. Kevin Lamoureux, MLA for Inkster
Mr. David Faurschou, MLA for Portage la
Prairie
Mrs. Mavis Taillieu, MLA for Morris
Mr. Larry Maguire, MLA for Arthur-Virden
Mr. Ron Schuler, MLA for Springfield

WITNESSES:

Bill 29–The Business Practices Amendment Act
(Disclosing Motor Vehicle Information)

Mr. Nick Roberts, Manitoba Used Car Dealers'
Association

Bill 25–The Embalmers and Funeral Directors
Amendment Act

Mr. Norm Larsen, Private Citizen

Bill 38–The Balanced Budget, Fiscal
Management and Taxpayer Accountability Act

Mr. Jesse Hamonic, Private Citizen
Mr. Graham Starmer, Manitoba Chambers of
Commerce

Mr. Shannon Martin, Canadian Federation of
Independent Business

Mr. Clayton Manness, Private Citizen

Mr. Ken Waddell, Private Citizen

Mrs. Christine Waddell, Private Citizen

Mr. Brian Paterson, Private Citizen

Mr. Glen Cummings, Private Citizen

Mr. Trevor Gates, Private Citizen

Mr. Colin Craig, Canadian Taxpayers Federation

Mr. John Doyle, Manitoba Federation of Labour

Mr. Jim Carr, Business Council of Manitoba

Mr. Chuck Davidson, Winnipeg Chamber of
Commerce

Mr. Graham Starmer, Manitoba Chambers of
Commerce

WRITTEN SUBMISSIONS:

Bill 38–The Balanced Budget, Fiscal
Management and Taxpayer Accountability Act

Joe and Joan Chamberlain, Private Citizens

Candace Bishoff, Private Citizen

John Sushelnitsky, Private Citizen

Jim Reid, Private Citizen

Beverley Ranson, Private Citizen

Iris Nowakowski, Private Citizen

Roméo Lemieux, Faculty of Education, Brandon
University

Matt Kawchuk, Private Citizen

Gordon Henderson, Private Citizen

R.M. Swayze, Private Citizen

Graham Starmer, Manitoba Chambers of
Commerce

Bill 25–The Embalmers and Funeral Directors
Amendment Act

Barrie Webster, Funeral Planning and Memorial
Society of Manitoba

Jody Nicholson, Manitoba Funeral Service
Association

Norm Larsen, Private Citizen

MATTERS UNDER CONSIDERATION:

Bill 6–The Securities Amendment Act

Bill 25–The Embalmers and Funeral Directors
Amendment Act

Bill 29–The Business Practices Amendment Act
(Disclosing Motor Vehicle Information)

Bill 38–The Balanced Budget, Fiscal
Management and Taxpayer Accountability Act

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Mr. Chairperson: The Standing Committee on Legislative Affairs will please come to order.

We have a number of procedural items to take care of first.

Committee Substitution

Mr. Chairperson: I would like to make the following membership substitution, effective immediately for the Standing Committee on Legislative Affairs, Mr. McFadyen for Mr. Cullen.

* * *

Mr. Chairperson: Our first item of business is the election of a Vice-Chairperson. Are there any nominations?

Ms. Erin Selby (Southdale): I am nominating the Member for St. James (Ms. Korzeniowski).

Mr. Chairperson: Ms. Korzeniowski has been nominated. Are there any further nominations?

Mr. Rick Borotsik (Brandon West): I would nominate the Member for Russell (Mr. Derkach).

Mr. Chairperson: Mr. Derkach has been nominated. Are there any further nominations?

Mr. Borotsik: Mr. Chair, if I may, I wonder if it's possible to hear from the nominated candidates as to the rationale and desire that they would like to put their name forward for Vice-Chair.

As a fact, Mr. Chairman, I come and have experience in another House where, in fact, members of the opposition do sit as vice-chairs so that there is a better non-partisan cross section of the Chair and the Vice-Chair, so that when issues are presented before the committee, that there is, in fact, a member of the opposition and a member of the government who can put forward their own opinions at that time, based on a non-partisanship.

I wonder, Mr. Chair, if we could hear from the nominees as to how it is that they would like to see their names put forward as Vice-Chair and their experience as such and, certainly, their desire to be that particular Vice-Chair.

Mr. Chairperson: Thank you for your advice. We did have a precedent earlier this week where a similar idea was put forward. However, we're dealing with a nomination, not a debatable motion, and so we are not going to debate this. We are going to put the question and have an election.

All those in favour of Ms. Korzeniowski being the Vice-Chair, please indicate.

Clerk Assistant (Ms. Tamara Pomanski): One, two three, four, five, six.

Mr. Chairperson: All those in favour of Mr. Derkach, please indicate.

Clerk Assistant (Ms. Pomanski): One, two, three. [*interjection*] Four.

Mr. Chairperson: I declare Ms. Korzeniowski the Vice-Chairperson of this committee.

This meeting has been called to consider the following bills: Bill 6, the Securities Amendment Act; Bill 25, The Embalmers and Funeral Directors Amendment Act—I would like to have a little bit of decorum so I can hear myself think—Bill 29, The Business Practices Amendment Act (Disclosing Motor Vehicle Information); Bill 38, The Balanced Budget, Fiscal Management and Taxpayer Accountability Act.

We have a number of presenters registered to speak this evening as follows—please refer to your presenters list. Before we proceed with presentations, we do have a number of other items and points of information to consider. First of all, if there's anyone else in the audience who would like to make a presentation this evening, please register with the staff at the entrance of the room. Also, for the information of all presenters, while written versions of presentations are not required, if you're going to accompany your presentation with written materials, we ask that you provide 20 copies. If you need help with photocopying, please speak with our staff.

As well, I would like to inform presenters that, in accordance with our rules, a time limit of 10 minutes has been allotted for presentations, with another five minutes allowed for questions from committee members. Also, in accordance with our rules, if a presenter is not in attendance when their name is called, they will be dropped to the bottom of the list. If the presenter is not in attendance when their name is called a second time, they will be removed from the presenters list.

Written submissions from the following persons have been received and distributed to committee members: Joe and Joan Chamberlain, private citizens, on Bill 38; Candace Bishoff, private citizen, on Bill 38; John Sushelnitsky, private citizen, on Bill 38; Jim Reid, private citizen, on Bill 38; Beverley Ranson, private citizen, on Bill 38; Iris Nowakowski,

private citizen, on Bill 38; Roméo Lemieux, Faculty of Education, Brandon University, on Bill 38; Matt Kawchuk, private citizen, on Bill 38; Gordon Henderson, private citizen, on Bill 38; R.M. Swayze, private citizen, on Bill 38; Barrie Webster, Funeral Planning and Memorial Society of Manitoba on Bill 25; Jody Nicholson, President, The Manitoba Funeral Service Association on Bill 25.

Does the committee agree to have these documents appear in the *Hansard* transcript of this meeting?

Some Honourable Members: Agreed.

Mr. Chairperson: Agreed—Mr. Derkach?

Mr. Leonard Derkach (Russell): Mr. Chair, I'm wondering, for the benefit of people who may be present as presenters, and also for the individuals who are here as interested parties in the debate and the presentations on these bills, whether it would be appropriate to have these presentations read into the record rather than just having them accepted into the record.

Mr. Chairperson: It has been proposed by Mr. Derkach that these presentations be read into the record rather than received.

Hon. Diane McGifford (Minister of Advanced Education and Literacy): I would disagree with my colleague opposite, Mr. Chair. I think that practice has always been that written submissions are written submissions and we're all quite capable of reading them, so I suggest that we follow tradition and read them.

Mr. Chairperson: Thank you for your advice. I'm advised that it's not the practice and it's not my experience as being the practice.

* (17:10)

Mr. Hugh McFadyen (Leader of the Official Opposition): Thank you, Mr. Chairman. I think it's useful to be clear about the rationale for the motion, and the rationale is that reading these presentations into the record is not for the benefit of committee members, but for the benefit of those who may be in line to make subsequent presentations and others who may be interested parties attending committee so that they may hear what others have to say, as this will often inform subsequent presentations and have an impact on the debate and the knowledge of those who are interested parties in wanting to understand fully what the positions are of the various parties

who have taken the time to make submissions to the committee.

I would therefore support the motion.

Mr. Chairperson: I would like to ask if there was agreement to do this or not.

Some Honourable Members: Agreed.

Some Honourable Members: No.

Mr. Chairperson: I hear yes and I hear no.

I'm going to rule that there isn't agreement and, also, based on precedent and practice.

Mr. Derkach: Mr. Chair, seeing the direction that you, as Chair, are taking right now with this particular issue, I'm wondering whether there can be a recorded intention or a vote, if you like, with respect to this issue. Because you heard both yeses and nos, I would request that there be a show of hands to indicate who supports the motion and who does not.

Mr. Chairperson: Thank you for that suggestion, but the normal way of doing business would be to have a written motion which we would then read and then vote on. If you would like to do that it would be in order.

Mr. Kevin Lamoureux (Inkster): Maybe the Member for Russell might be writing up a motion but, Mr. Chairperson, I do have, I guess it would be kind of a question in terms of procedure.

In reading through, it was a fairly lengthy list of individuals, and one of the things that came across my mind is that quite often when we hear presenters there are questions and answers that will follow, and when someone requests that their presentation be recorded into *Hansard*, one of the things that we do lose is the ability to be able to ask questions of the presenter. The reason why I ask that is that does the Clerk's office have phone numbers so that if, in fact, when we do get the chance to read the reports that we have a phone number that we can ask a presenter.

Can he just maybe provide to the committee, what is it that the Clerk's office actually takes in so that maybe we could be able to communicate with a written presentation?

Mr. Chairperson: I'm advised that normally phone numbers would not be made available to members, but sometimes people do put their contact information on their written briefs and then you would be free to contact them that way.

Mr. McFadyen: The way to deal with the issue raised by the honourable Member for Inkster may be to ask if the Clerk's office would be good enough to contact those who have made written submissions and look for an opportunity, an appropriate opportunity, for them to appear in person to respond to questions. That way the issue of the confidentiality of the telephone numbers is dealt with appropriately.

Mr. Chairperson: Could you clarify that for me, Mr. McFadyen, exactly what you're asking for?

Mr. McFadyen: The Member for Inkster was indicating that it might be valuable to the committee to have those who have made written submissions be contacted to invite them to appear in person or respond to questions arising from the presentations. The objection raised by the members opposite was that this could breach confidentiality in that individuals have given their telephone numbers to the Clerk's office and may not wish to have those telephone numbers distributed to members of the committee.

What I was proposing was that that issue could be dealt with by having the Clerk's office contact those who have made written submissions and invite them to appear at an appropriate time to respond to questions, which would achieve the value that, I think, is being sought by the Member for Inkster in terms of responding to questions arising from the presentations.

Mr. Chairperson: I think what we need to do is to ask the Clerk's office or, in particular, the Clerk, if that is possible and get an answer back to the committee.

Do you have your motion in writing Mr. Derkach?

Mr. Lamoureux: I think it would be of benefit because, you know, we very easily and quite often will say someone that's not able to present, for whatever reasons, and they'll have good content in terms of their presentation. I think that all members would benefit if we were, at the very least, afforded the opportunity to be able to communicate.

I like what it is that the Leader of the Official Opposition is suggesting in terms of having the opportunity to be able to ask a presenter—for example, if I read a presentation that has been submitted and we've accepted it and it's printed in *Hansard*, to be able to contact the Clerk's office and say that, look, we do have a question or two on it; is it possible for the presenter to come if, in fact, a

request of that nature is put forward and failing something of that nature, being afforded the opportunity to have a phone number so that we can make contact.

I think what it does is it legitimizes to a certain degree the fact that we're accepting these reports. At least that's what I would think it does. If someone's prepared to put the time, make the presentation in writing and then we're having *Hansard* transcribe it, put it into our official documents, that there needs to be some opportunity for two-way communication. I just think that it would be helpful.

So, if you could, through the Clerk's office, get back to me on it, I would very much appreciate it.

Hon. Greg Selinger (Minister of Finance): Just on this question, I think we have to be careful that the instructions to the Clerk are clear. I don't want the members of the public to feel that they're in any way compelled to come back and answer questions. I think it would be important that if the members have read the submissions and they have a question, they should put the question in writing and they should indicate to the Clerk's office that they would like to discuss it with the person that made the presentation in writing, and if that person wishes to just come back and answer questions about it or wishes to reply in writing, they'd have that option so that there could be the dialogue.

But the way, the original suggestion was put, it could be misperceived as some form of compulsion to have to come back and answer questions. I wouldn't want any member of the public to feel that that was the case, so I think this has to be handled very delicately. Members of the public have the right to come and make a verbal presentation as well as a written presentation. It's a completely voluntary citizen duty and I would like to make sure that we keep uppermost in our mind that any follow-up procedures, that this notion of voluntariness and this notion of having a choice is kept at the forefront. *[interjection]* The option, exactly.

So I would just say that the way we move forward on this should start with members themselves of this committee indicating which written presentations they would like to do follow-up on and do that by way of putting in writing what their questions might be.

Mr. Derkach: Mr. Chair, I move and recommend that written presentations submitted to the committee be read into the record so that other presenters and

those Manitobans who are present to hear presentations would have the benefit of hearing all presentations.

Motion presented.

Mr. Chairperson: The motion is in order. The floor is open for questions.

Mr. McFadyen: I put comments on the record earlier, in essence on the same point. I just want to reiterate my support for the motion and the logic of having presentations read into the record, so that those who are waiting in line in person and present here in the committee room have the benefit of hearing those presentations which will often have an impact on the thinking of subsequent presenters.

So I think it's a sensible motion and I would urge all members of the committee to support it.

Mr. Chairperson: Is the committee ready for the question? The question's been called.

It has been moved and recommended that written presentations submitted to the committee be read into the record so that other presenters and those Manitobans who are present to hear presentations would have the benefit of hearing all presentations.

* (17:20)

Voice Vote

Mr. Chairperson: All those in favour of the motion, please say yea.

Some Honourable Members: Yea.

Mr. Chairperson: All those opposed, say nay.

An Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Nays have it.

Formal Vote

Mr. Derkach: A recorded vote, Mr. Chairperson.

Mr. Chairperson: A recorded vote has been requested.

A COUNT-OUT VOTE was taken, the result being as follows: Yeas 4, Nays 6.

The motion is defeated.

* * *

Mr. Derkach: Before we proceed to hearing the presenters, I'm wondering whether there would be leave of the committee to allow Mr. Nick Roberts to make a presentation on Bill 29.

I understand that Mr. Nick Roberts has a time constraint. He is the only presenter on Bill 29. I'm wondering whether the committee would consider giving leave, so that Mr. Roberts could make his presentation in person. Then we could move on to following the bills in order, I think, as we normally do.

Mr. Chairperson: Normally, we do out-of-town presenters, but is there leave of the committee to have this one presenter on the one bill go first? *[Agreed]*

Now, going back to the documents that were submitted, they will appear in *Hansard* as a transcript of this meeting.

On the topic of determining the order of public presentations, I will note that we do have out-of-town presenters in attendance, marked with an asterisk on the list.

As well, we have a request from Jesse Hamonic, presenter No. 10 for Bill 38, to make a presentation en français, in French. We do have translation staff on hand to accommodate consecutive translation.

With these considerations in mind then, in what order does the committee wish to hear the presentations? I've heard that we will agree to have one person come first who has to leave and—

Mr. Borotsik: Mr. Chairperson, we've already had leave to hear Mr. Roberts. I wonder if, at that point, we could hear any presenters on the other bills—there are very few presenters on Bills 6 and 25—and then proceed to 38 at which time, if I have leave of the committee, to allow Mr. Hamonic to present first.

I understand there's some translation available. Rather than have the translator stay here for some period of time, perhaps, if the committee would agree, we could have that presenter first and then we can go back to the out-of-town presenters.

Ms. McGifford: I'm a little uncertain as to what's being suggested. I wonder if the member would repeat.

Mr. Borotsik: As has been already agreed to, the committee has said that Mr. Roberts is going to present first on Bill 29, I believe it is, and then go to Bill 6 and Bill 25 for which I believe there are very few presenters. If we could have those put out of the way, even though they are in town.

Then, when we go to Bill 38, the first individual to make presentation, I would ask for leave that it be

Mr. Jesse Hamonic. He wants to do it in French and, in order to accommodate him, as I am not fluent as the minister is, we do have translation. Rather than have the translator stay here for an extended period of time, we could then have him first and the translator could leave.

Mr. Chairperson: I'll just repeat that. I think there's agreement that we have Mr. Roberts first and then the presenters on Bill 6, Bill 25, then Mr. Hamonic, and then out-of-town presenters on Bill 38. That's agreed.

As previously agreed to by the House, this committee will sit until 10 p.m. tonight.

Prior to proceeding with public presentations, I would like to advise members of the public regarding the process for speaking in committee. The proceedings of our meetings are recorded in order to provide a verbatim transcript. Each time someone wishes to speak, whether it be a MLA or a presenter, I first have to say the person's name. This is the signal for the *Hansard* recorder to turn the mikes on and off.

Thank you with your patience. We will now proceed with public presentations.

**Bill 29—The Business Practices Amendment Act
(Disclosing Motor Vehicle Information)**

Mr. Chairperson: I will now call on Mr. Nick Roberts from the Manitoba Used Car Dealers' Association to make his presentation on Bill 29.

Do you have copies of your presentation?

Mr. Nick Roberts (Manitoba Used Car Dealers' Association): Yes, I sent them earlier today.

Mr. Chairperson: Okay, they will be distributed. You can proceed when you're ready.

Mr. Roberts: Thank you, Mr. Chairperson, members of the committee. I'd also like to thank you for allowing me to go first.

I'm speaking today on Bill 29. Lemonade is a fickle drink and, on a hot summer day, you expect it to be cold and refreshing but, sometimes, because it was made hastily and without attention, the result is a sour glass that entirely disappoints.

Bill 29 is a lot like that. We're led to believe that the proposed legislation provides protection to Manitoba car buyers against purchasing lemons, but the reality is that Bill 29 simply does not deliver on that promise.

My name is Nick Roberts and I appear before this committee as my role as the executive director of the Manitoba Used Car Dealers' Association. Our association is an organization that, among other things, promotes the interests of its members who sell used motor vehicles in Manitoba. Our organization is dedicated to the enhancement and improvement of the automobile industry in Manitoba for the benefit of the province's consumers through identifying public-agenda issues affecting the industry and contributing to the decision-making process.

Before I begin, I have one housekeeping task and that is to remind you that, for your convenience, we have collected information about the United States lemon laws and the problems it holds for both consumers and dealers alike, as well as a written copy of my presentation. You should each have a copy of our book of documents before you.

The first problem with Bill 29 is that it relies on other provinces and American states to solve a supposed-Manitoba problem. The proposed legislation would amend The Business Practices Act and introduce the definition of a lemon. Under those changes, a lemon is a motor vehicle that has been returned to the manufacturer under the laws of another jurisdiction.

Like a cool glass of lemonade, the idea is very appealing. If a car has been labelled a lemon anywhere else in North America, then it should not be sold in Manitoba as defect-free.

However, the reality under Bill 29 is very different. In fact, no Canadian province or territory has legislation that would label a car as a lemon. Out of 50 American states, only 19 have laws in place that require the lemon designation on their ownership titles.

Bill 29 does nothing to require disclosure that a lemon in one state ended up being resold in another state without such laws, before that one-time lemon ended up in Manitoba.

In short, Bill 29 works only if most—if not all—of the other jurisdictions in North America agree to implement lemon laws, but almost no Manitobans will know this. Instead, they've heard in the news that Manitoba is introducing a law that requires dealers to disclose whether or not a car is a lemon. What Manitobans do not understand is that Bill 29 plucks only some lemons from the vine, leaving others to linger on the vine.

Even if there were uniform lemon laws across North America, Bill 29 still has significant problems. For starters, the bill focuses on sales of lemons by businesses, ignoring the fact that a significant number of cars are sold by individuals. So, compounding the fact that some jurisdictions label vehicles as lemons, Bill 29 restricts its application only to business sales to consumers.

This patchwork protection becomes even more problematic when you remember that the existing laws of Manitoba already give a remedy to buyers of lemons. I'm not a lawyer, but I think it is common sense that, if a consumer enters into an agreement for the purchase of a car, contract law will allow that consumer to get out of the deal, if it turns out that there is a fundamental defect in the car. In fact, it's exactly that kind of dispute that the Consumer's Bureau and small claims court already deal with.

I think it's also common sense that there's a fundamental defect in any car that's so unreliable that it has to be labelled as a lemon.

Some might say that, even if the law of contract already takes care of those problems, Bill 29 might serve as a reminder to those who would sell lemons that the law is watching them. Even this rationale ignores the fact that existing laws, relating to misrepresentation and fraud, give rise to civil and even criminal penalties. Yet, despite these existing provisions, some sellers would be undeterred.

Deterrence should be a concern of any proponent of Bill 29 which promises to address the sale of lemons, but offers little help to those who would enforce such laws. The proposed legislation states, in essence, that a business selling a lemon must disclose that fact. However, Bill 29 is silent on how far a seller must go to conduct that due diligence.

* (17:30)

What is the standard by which to test whether or not a seller may decide that a vehicle is not a lemon? Must the seller use best efforts? Must the seller exhaust every possible search? May the seller simply rely upon the honesty of the party from which the seller obtains a car? Both new and used dealers receive vehicles from their sellers, and our goal as an association is to have the dealers pass on to the consuming public any notices or information affecting the cars which they receive.

In fact, it is the dealer who could be the secondary victim of the lack of buy-back notice because the used motor vehicle dealer is very often

the entity selling the vehicle to the end user. If the dealer receives no notice from its supplier, then it has no information to pass on to the consumer. It is, therefore, in the best interests of our members to receive as much information as possible in order to be able to pass it to a potential customer and thereby avoid the costs, legal and otherwise, associating with having failed to disclose required information.

This government must also be aware that consumers who trade in a vehicle will often omit to tell the dealer certain critical information about the vehicle. If the consumer or any other entity in the sales history of a vehicle receives a re-acquired vehicle notice and fails to pass on that notice to the dealer, then such dealer should not incur any liability for failing to provide a notice to its purchaser. Conversely, we acknowledge that if a notice in whatever written format is given to the dealer, than the dealer should be obliged to pass on such notice to its purchaser.

Bill 29 is equally silent on any possible conflict between traditional legal standards of what amounts to due diligence and the provision of the proposed legislation. No thought appears to have been given to the effect that Bill 29 could have upon established principles of consumer protection law and contract law as a whole.

Of course, the answer might lie in the regulations that Bill 29 promises. However, at this stage, those provisions are, of course, not made available for review. We are left to wonder and hope that all the details that underlie the aims of Bill 29 will somehow be fleshed out in the regulations.

Now, you've all listened patiently as I outlined these concerns, and some of you likely agree that I have touched upon real problems with Bill 29. But you are undoubtedly wondering why the Manitoba Used Car Dealers Association has waited until this late stage in the birth stages of the bill to raise these issues. In fact, I would like you to know that in March 2008 I met with representatives from the Consumers' Bureau to voice some of the points that I have made today. I was then told that there would be a consultation process during which these concerns could be set out and addressed. It seems, however, that this matter skipped the consultative process and went straight to the Legislature.

And so we are left with what I suggest is a premature crop growing in our lemon grove. Bill 29, as it stands, relies on other jurisdictions to label a vehicle as a lemon. It applies only to some car sales,

even though it gives Manitoba consumers the impression that they can let down their guard against lemons. The proposed legislation also duplicates existing remedies and confuses the standard by which to assess the conduct of sellers.

Finally, the bill relies heavily upon regulations to give effect to its legislative aims, but, of course, no one has made available those regulations for our consideration at this stage. I both expect and hope that our association would be invited to join the consultative process that the proposed legislation aims to set up.

For all of these reasons, I worry that Bill 29 will leave Manitobans with a sour taste, and I urge you not to support the proposed legislation in its present form. That concludes my presentation.

Mr. Chairperson: Thank you. Are there any questions?

Hon. Greg Selinger (Minister of Finance): First of all, thank you for your presentation, Mr. Roberts. In order to make a regulation you have to have a law to base it upon, so the law is a prerequisite to getting to the regulations.

I can assure you that your association will be involved in the regulation-making process and will be fully consulted and will have a complete opportunity to comment on the substance of the regulation, and I think through that process many of the concerns that you have raised will be addressed.

Mr. Rick Borotsik (Brandon West): Thank you, Mr. Chair, through you to Mr. Roberts: You'd indicated that there was absolutely no consultation whatsoever to the main sector that was going to be affected by this, which is the car dealers' association. Would you not have thought that even prior to the regulations that the legislation that was going to be the basis of that regulation should have at least been consulted in some way, shape or form, whether it be written consultation or, at the very best, sitting down with the association and asking what your opinion was with respect to the lemon laws?

You've brought some very salient points to this particular table. I think those should have been discussed. I believe they should have been discussed prior to the legislation being put forward. Do you not agree with that comment?

Mr. Roberts: I would agree with that. The last time we were involved in changes to regulations for the way dealers were licensed in the province, we had

the dealer licensing standards review committee, which sat for two years and it took another couple of years to come up with all the ins and outs for that. It was our understanding when we had that one preliminary meeting with the Consumers' Bureau that we would do that consultation process first and then go on, you know, to give recommendations to the minister on what should happen when instead it was shoot first and ask questions later.

Mr. David Faurshou (Portage la Prairie): I first want to congratulate and to say how much we appreciate the very-detailed presentation and appendix provided here this evening. I would like to ask you the question as it pertains to complaints. Legislation generally comes forward based upon complaints and a need for legislation, regulation to address those complaints or concerns, I understand, from previously speaking with yourself about the dispensation of complaints as it engaged the used car dealers.

Could you perhaps share that with the committee?

Mr. Roberts: As far—well, I can only speak to complaints in regard to safety-related items. Last year in the province of Manitoba there were 100,000 safety inspections done. Dealers did 80,000 of those. Out of those, there were 200 complaints regarding inspections. A hundred of those were dealer related and out of those 100, all of them were resolved. It begs the question: where's the problem? I don't know who's complaining and we certainly don't get any complaints through our office and we do a lot of mediation given the chance.

Mr. Faurshou: I appreciate that. Perhaps we're chasing ghosts with this legislation and so the question remains. However, also within the legislation as it is before us this evening, it is concentrated on, basically, your association members. Perhaps—are there other venues in which persons acquire vehicles that are not addressed within this legislation that are currently exempt from legislation?

Mr. Roberts: Most definitely the general public. I mean, we know that there's a—and it's something we're working on right now. There's a fairly large what we call a curb-sider issue in Manitoba where there's a lot of people buying and selling cars that are unlicensed. They basically do as they wish. There was legislation introduced that would allow anybody that sold five or more vehicles in a year that would—could be prosecuted for not having a dealer's permit.

We've given information to DVL before with one example of a dealer that had—an individual that sold 14 cars in a six-month period. We gave them serial numbers, plate numbers, everything; gave it to them, left it with them for a year and at the end of the year, they said, there's nothing we can do. We don't have enough evidence.

There's definitely a loophole. It's probably a much bigger problem than we know of and we're looking into that.

Mr. Chairperson: I have two people on the speakers' list. You have time for a quick question, Mr. Faurshou, and then Mr. Selinger.

Mr. Faurshou: Thank you, Mr. Chairperson, I appreciate the opportunity.

A lot of cars change ownership through auction here in the province of Manitoba, and every Saturday we see there's a different auction displaying vehicles. They may be repossessions or come to the presence of the auction by other means. Are those sales going to be held to the standard within this legislation as you see it?

Mr. Roberts: I wouldn't think so. If you're speaking about public auctions, there are several public auctions in Manitoba. Somebody that's not a dealer, for example, when they sell a vehicle at a public auction, a non-licensed dealer doesn't have to provide a safety inspection, whereas somebody selling a car privately doesn't have to do that. There's a big loophole there and it continues to go on.

* (17:40)

The dealer auction that most dealers go to is run completely different. It's not open to the public, and it's only dealers that come by there. We have a definite set of rules and regulations and declarations on vehicles so we know what's happening.

Mr. Selinger: Thank you, Mr. Roberts. I just want to clarify that this amendment to The Business Practices Act builds on an existing piece of legislation which already requires—that makes it an unfair business practice for a supplier that is in business to make false claims or to do or say or to fail to do or say anything that might mislead or deceive a consumer. The proposal in front of us is an amendment which will clarify that existing obligation under existing law and in that process of clarification, there will be full consultation with you and your dealers' association in order to ensure that

there's complete understanding of what the obligation that already exists is in practical terms.

I want to let you know that also we think that this amendment will also be able to deal with some of the concerns you just raised about individuals that sometimes are called curbers that sell multiple vehicles. They will also be covered under this amendment as well which would, I think, in many ways allow your association to operate in a more level playing field and not have to compete against practices which may be underground and undermine your industry. Thank you.

Mr. Chairperson: Thank you for your presentation.

We will now proceed to Bill 6, The Securities Amendment Act. We have one presenter registered, Judy Eastman, private citizen.

Is Judy Eastman present? Judy Eastman. That name drops to the bottom of the list.

Bill 25—The Embalmers and Funeral Directors Amendment Act

Mr. Chairperson: We will proceed to Bill 25, The Embalmers and Funeral Directors Amendment Act. Mr. Norm Larsen, private citizen. You have written copies?

Mr. Norm Larsen (Private Citizen): I do.

Mr. Chairperson: The page will distribute. Please begin when you're ready.

Mr. Larsen: Mr. Chair, based on my understanding, the minister is willing to consider three amendments that I would like to suggest to the bill. I would be content to refer only to the last three pages of my bill which outline my suggested amendments and to file the presentation, the whole of it. If I may then—

Mr. Chairperson: It's agreed that we'll accept the entire presentation, but Mr. Larsen will just speak to part of it. Agreed?

Some Honourable Members: Agreed.

Mr. Larsen: Okay, then go to page 5. The earlier part of the presentation makes a point that consumers need information. Perhaps I should go back a bit and say this. I am here to support this bill. I think it's very good amendments and I noticed the—I have had a chance to look at the written submission of the Manitoba Funeral Services Association, which represents the funeral industry in the province, and that short written presentation of theirs says, in effect, they love the bill and they support it.

I'm in the same situation, but I would like to just nudge it a little bit with respect to information. Consumers need information. This is a very—I was going to say very unique—this is a unique business, the funeral business, and consumers are woefully ignorant of what it's all about. I have over the last five years, just as a private citizen, a retired lawyer, gathered information and been able to make 40—I've made so far about 40 presentations to about 800 people on funeral planning. There is abysmal ignorance about the funeral industry in our society, and too often people go to prepare—if you've ever arranged a funeral, you know how difficult it can be emotionally and it's easy for the cost to escalate.

So people need information and they need information that allows them to make comparisons. Funeral homes advertise. They have pamphlets but the advertising isn't too helpful. For example, in my presentation I ask about 10 questions, basic questions about funerals such as: How many types of funerals are there? If you had to arrange a funeral tomorrow, how many types of funerals are there for you to choose from? Well, going by the ads, you would think two or three. I say there are six.

The advertising doesn't help. There's virtually no information other than my own presentation of the two documents that I've prepared and freely circulate, and I give it away. Other than my own documents, I know of nothing, in fact, in the whole of Canada to allow people to do funeral planning.

At any rate, on page 5 in the rectangle, here is my first proposed amendment. It adds a regulatory power to the act. I'll just read it into the record, if I may: Subsection 8(3) of the bill is amended by adding the following after clause 17 (q. 2): (q. 3) prescribing information to be provided to the public, any person or class of persons, and prescribing the manner of providing the information.

I confess I stole that provision from Ontario's funeral act, but I like it because this is the kind of information we need in a form that allows the consumer to make comparisons.

In this line of consumerism, consumers seldom shop around because of the nature of the funeral transaction. People are not about to go shopping around when they are emotional and trying to do deal with the grief of someone's death. That is one of the reasons.

There is a curious fact in the funeral industry and that is, the more competition is, the higher the prices

are. This has been found in the States, in particular. The more competition, the higher the prices; that's because people don't shop around.

So that's one type of information people need. The other type of information consumers need is what's going on in the funeral industry. Over the last five years, when I started tracking these things, I've discovered in the city of Winnipeg five funeral homes have opened, five have closed and one of the two major corporations has been bought out by a multi-national corporation. How many people know that?

Some people prefer to deal with multi-national corporations. They should know which of the 25 funeral homes, which four are owned by a particular multi-national corporation centred in the States.

My amendment is fairly narrow, but it's, I think, an important piece of information that consumers need. I'll read, if I may, page 6 in the rectangle: Subsection 8(3) of the bill is amended by adding the following after the new clause 18(1)(q. 2): (q. 3) the number of complaints received by the board in respect of funeral homes, funeral directors and any person referred to in section 19 (sales persons) and the nature of the complaints.

The annual report of the board of administration is a particularly important document for consumers. It is the one opportunity for consumers to find something about what is going on in the funeral industry.

My third proposed amendment is on page 7; it's a simple one. I'm just suggesting the title of the act be struck out. The act is called, The Embalmers and Funeral Directors Act. Embalming is becoming more and more rare. In Manitoba, the most recent estimates I've heard from funeral directors is that 50 percent of funerals involve cremation and, in Winnipeg, they say it is 60 percent and climbing.

So the use of the word "embalmers" in the title seems to me is archaic and perhaps somewhat ironic, as things have developed since the act was first passed in the 1960s.

Mr. Chairman, that is my submission.

Mr. Chairperson: Questions?

Hon. Greg Selinger (Minister of Finance): First, I would just like to thank you, Mr. Larsen, for your presentation.

I want to tell you, because we received ahead of the public hearing tonight, I've had a chance to discuss it with Legislative Counsel. As you know, Legislative Counsel take their work very seriously, having been a former member of that staff yourself.

We think that, actually, some of your amendments can be accommodated but the specific wording of it, we'll leave up to legislative counsel. They may disagree with you on the specifics for reasons I can't even imagine but, that being said, we think that most of your amendments make good sense for consumer protection and protection of the public more generally to make better-informed decisions.

I think you've made a contribution to this bill, and I want to thank you for that.

Mr. Rick Borotsik (Brandon West): Thank you, Mr. Larsen. It's not a bill that one would, certainly, normally want to get too involved in, but I do appreciate the fact that there are people like you who did.

A couple of simple questions—you wish to change the title. When you made your rationale for that, it was an acceptable rationale. With respect to cremations and funerals, why would you not make the title, The Cremation and Funeral Act, as opposed to just The Funeral Act, because funerals are funerals?

* (17:50)

I do appreciate the fact, even with cremation, you still have a funeral service that you have, but why wouldn't you add cremation in there?

Mr. Larsen: Cremation is dealt with in crematories under a different act. I don't think that quite fits. I think there is some concern too even about even using The Funeral Services Act. I think there's a couple of good reasons to use The Funeral Services Act, and I list them at the bottom of page 7. I say it refers to whatever products and assistance are required for a funeral and it also is used in everyday language to refer to any type of funeral or memorial service.

But I think you asked about cremation. I think it just doesn't fit here.

Mr. Borotsik: Thank you. On your first amendment prescribing information to be provided to the public, this would be information provided to the public by all funeral homes. At the time of the customer, I assume, who's making presentation at that funeral

home, you're suggesting that information be provided at that time? Would that information be like a rate chart, or would it be a services-available document that the funeral home would present at that time?

Mr. Larsen: In the United States there is something in the federal law known as, in the industry, the federal rule. It's about 60 pages of requirements of all funeral homes. One of the requirements, for example, is that every funeral home must post its à la carte prices close to the door, inside the funeral home close to the door and must be readily available to any person who comes through that door whether they're a prospective purchaser or a purchaser or somebody just interested in funerals or funeral planning. That's the sort of thing I imagine.

This is entirely up to the board of directors, of course, in terms of making the regulations, but I would hope that they would require that the information be in a prescribed form. Let them charge what they want, but be up front about what it is you're buying and what the cost of it is in an à la carte, individual form so you can compare.

Can I just say the current way of selling funerals is primarily by packages. When you go into a funeral home, they'll offer you a package for \$2,000, \$3,000 \$5,000, and, of course, the price can escalate. That's basic. If you want more, you pay more, the average price being these days \$5,000 to \$10,000. For every one under \$5,000, there's one over \$10,000.

Mr. Leonard Derkach (Russell): A bit of a different question, and I don't know, it may be covered in the act already, and that has to do with the money placed in trust once an individual purchases a pre-planned funeral. Is that money held in trust now by the funeral home, or is there a special trust set aside independently of that funeral home and held by the Province or someone else?

Mr. Larsen: I'd have to reread the two pages in my background. I have a 25-page background information and two pages on should you prepay. My own bias is against prepaying, but I could be wrong because 15,000 Manitobans have prepaid, and we know that because the Public Utilities Board keeps track of these things. Under the prepaid funeral act there are various requirements, and one of them is that the information be registered with the Public Utilities Board.

As I said, my bias is against pre-paying because it's just as effective to put the money under your mattress or in a GIC or whatever. The people who

are most likely to arrange your funeral know that that money is available and where it is. It can happen that you prepay a funeral and people don't know about it. There's also the problem that when you prepay, you are asked to name a funeral home, and, as I mentioned, five have opened; five have closed. Some people think there's stability in the industry. There isn't. Not much stability, it seems to me, and, at any moment, these multi-nationals, these large corporations could be buying out locally family-owned funeral homes.

Mr. Chairperson: I'm going to allow two more questions, Mr. Derkach, and then Mr. Selinger.

Mr. Derkach: Thank you. I guess I'm a little fixated on this because I don't know what would happen if a funeral home operator decided to leave the country with the prepaid funds. Is there any kind of insurance that is carried by the individuals or is carried by the funeral home, or is there a bond that is put in place so that these funds can, in some way, be protected for the person who pre-buys a funeral?

Mr. Larsen: My understanding is there was a scandal in Winnipeg in the '60s or '70s. Maybe some of you—you're nodding your head. Do you remember who?

Floor Comment: Elmwood Cemetery.

Mr. Larsen: Sorry? No, not Elmwood Cemetery. It was a funeral home that had sold an immense number of prepaid funerals and had spent all the money. That was the inspiration for the prepaid funeral act, and there were scandals all across the country, apparently, of this sort of thing happening.

So there are requirements now in the prepaid funeral act that a certain percentage of the money, that all the money goes—I'm sorry, I've just forgotten the details of it, but I can send you and I will send you a couple of pages I have that describe the process and the arguments that I have found for and against prepaying. I'm sorry that I can't be more specific, but it's been a while since I've looked at that material.

Mr. Selinger: I want to thank Mr. Larsen, again. I just want to point out that this bill before us does not deal with the prepaid funeral services act. That's a separate piece of legislation, which we can, if there's an interest, we can review later on and see if it needs modernization. But it's not actually before us tonight.

Mr. Chairperson: Thank you, Mr. Larsen. It's good to see you here again.

Bill 38—The Balanced Budget, Fiscal Management and Taxpayer Accountability Act

Mr. Chairperson: We're now proceeding to Bill 38, The Balanced Budget, Fiscal Management and Taxpayer Accountability Act, and the committee has agreed that we're going to hear Mr. Hamonic first.

Is Mr. Hamonic here and the translator? Thank you very much.

Do you have a written presentation? The page will distribute.

Please proceed when you're ready.

Bilingual presentation

Mr. Jesse Hamonic (Private Citizen): Monsieur le Président, membres du comité, et spectateurs, j'aimerais premièrement vous remercier de m'avoir donné la chance d'être ici et présenter ma perspective au sujet du Projet de loi 38.

Mr. Chairman, members of the committee and members of the audience, I first would like to thank you for giving me the opportunity to be here to present my point of view on Bill 38.

Au moment où ce projet de loi était publié, comme jeune économiste aborigène, j'étais extrêmement déçu. Alors, je sens un appel moral d'être ici aujourd'hui et communiquer les raisons pourquoi je suis en désaccord avec ce projet de loi.

When this bill was published, as a young Aboriginal economist, I was extremely disappointed. So, I feel a moral obligation to be here today to communicate the reasons why I do not agree with this bill.

En principe, je suis contre quatre articles dans le Projet de loi 38. L'ordre n'a aucune signification: 3(1)—le solde à la fin d'un exercice correspond à la moyenne des résultats nets des exercices compris dans la période de quatre ans se terminant à ce moment-là; 6(2)(a)(i)—La conséquence d'un solde négatif est le traitement du ministre réduit par 40 pour cent du traitement additionnel qui lui serait par ailleurs versé à titre de ministre pour l'exercice; 3(2) l'exclusion du produit de la vente de corporations de la Couronne; et l'entité comptable du gouvernement comprend non seulement le gouvernement, mais également les organismes gouvernementaux et les corporations de la Couronne.

In principle I am against four sections of Bill 38. Here they are in no particular order: 3(1)— the balance as at the end of a fiscal year is the average of the net results for the fiscal years within the four-

year period ending at that time; 6(2)(a)(i)—the consequence of a negative balance is the reduction by 40 percent of the additional salary otherwise payable to the minister in that fiscal year; 3(2)—the proceeds from the sale of Crown corporations are not included; and the government reporting entity includes not only core government but also government agencies and Crown corporations.

* (18:00)

Let us imagine the following scenario: your daughter just graduated from high school and is planning to attend university. You agree to assist her with tuition on the stipulation that she provides you her transcript after every academic year. Year one passes by, you look at the transcript, at your disappointment, her grades are F, F, D, D, F, F. You immediately confront her about the performance. She, in rebuttal, tells you it's a four-year program. As such, she has three more years to turn her grades around. You agree and wait for the next transcript. Year two comes and goes. Once again, another transcript containing F's and D's. Yet again, you discuss your daughter's deficient performance with her. As before, she reiterates, she has two more years left to turn it around. After all, her degree is based on four years, not one. Year three and four proceed as year one and two. Now, after four years of university your daughter has nothing but F's and D's on her transcript, no degree and has been academically suspended from future courses. This hypothetical situation is quite similar to 3(1); allowing the government of Manitoba to consider its balance as at the end of fiscal year based on a four-year average and a summary budget. Permitting such an act is nothing less than deceit; 3(1) will allow the government to continue amassing large deficits and debts, while dismissing concerns year over year by explaining the government still has time left to turn it around. The consequence of such a pernicious policy is that at the end of the four-year period, not only will Manitoba's finances be practically irreparable, it would lead the province to a lower bond rating, causing higher interest payments.

Would you allow your daughter to continue failing or would you demand strong performance every year similar to balanced operating budgets based on one single year? Would you allow your daughter to permanently harm her record because of academic suspension; analogous to lowered bond ratings? As an economist I believe the answer to the preceding questions is an overwhelming, no. The government of Manitoba owes a fiduciary duty to its

citizens for proper fiscal management. Anything less than a fiscal year being based on a single year as proposed in 3(1) is misleading and a violation of the government's duty to its citizens. It is for the above-mentioned reasons that 3(1) of Bill 38 must be struck down.

Le paragraphe 6(1) nous dit que si le solde à la fin d'un exercice est négatif, le traitement du ministre responsable est réduit de 40 pour cent du traitement additionnel qui lui serait par ailleurs versé à titre de ministre pour l'exercice. Le problème avec cela, c'est que la punition n'est pas suffisante. Comme exemple, si la réduction de traitement était appliquée au rapport financier 2007, le traitement de Monsieur le ministre Selinger serait réduit de seulement 17 534 \$. Un salaire de 117 145 \$ permet à M. Selinger de collecter proche de 100 000 \$ même avec la réduction du traitement. A mon avis, les conséquences d'un solde négatif devraient être plus sévères.

Subsection 6(1) says that if the balance at the end of the fiscal year is negative, the salary of the minister responsible is reduced by 40 percent of the additional salary otherwise payable in that fiscal year to that minister. The problem with that is that the punishment is not enough. For example, if the reduction in salary was applied to the 2007 financial report, the salary of the honourable Mr. Selinger would be reduced by only \$17,534. A salary of \$117,145 enables Mr. Selinger to still collect close to \$100,000 even with the reduction in salary. In my opinion the consequences of a negative balance should be more severe.

Section 3(2), l'exclusion du produit de la vente de corporations de la Couronne est suffisamment inefficace. Si le gouvernement met en vente des actions ou des actifs des corporations de la Couronne au moment d'une privatisation, cela ne compte pas dans le calcul pour déterminer s'il y a un solde positif ou négatif. Le même organisme cité dans la note explicative du Projet de loi 38, l'Institut canadien des comptables agréés, n'est pas d'accord avec ce règlement. En plus, le Projet de loi 38 accumulera les finances du gouvernement propre, des organismes gouvernementaux, et des corporations de la Couronne comme une entité sommaire. Donc, le gouvernement pourrait instruire à l'organisme ou la corporation de la Couronne de vendre ses actifs pour augmenter leur revenu et par logique, le revenu du gouvernement du Manitoba. Alors 3(2) est débile à cause qu'il ne couvre pas les ventes d'actifs des agences ou corporations de la Couronne, ainsi c'est

contre les suggestions de l'Institut canadien des comptables agréés.

Section 3(2), the exclusion of proceeds from the sale of Crown corporations, is quite ineffective. If the government sells shares or assets of Crown corporations during a privatization, this is not counted in the calculation to determine whether the balance is positive or negative. The same organization referred to in the explanatory note for Bill 38, The Canadian Institute of Chartered Accountants, does not agree with this rule. In addition, Bill 38 will accumulate the finances of core government, government agencies and Crown corporations as a summary entity. Therefore, the government could instruct a government organization or a Crown corporation to sell its assets to increase its revenue and logically the revenue of the government of Manitoba. So, 3(2) is weak because it does not cover the sale of assets by government agencies or Crown corporations, thus it goes against the suggestion of the Canadian Institute of Chartered Accountants.

Lastly, the concept of publishing an amalgamated financial statement entitled "government reporting entity" including core government, government agencies and other public sector organizations such as Crown corporations is extremely disconcerting. As we've seen with the Manitoba Hydro Bipole III debate, the Government of Manitoba has final decision-making power on Crown corporations and agencies. This authority allows the government to dramatically influence its subsidiaries. In the case that the government would be in a deficit position, what reassurances do we as Manitobans have that the Manitoba Liquor Control Commission or Manitoba Lotteries or Manitoba Public Insurance or Manitoba Hydro or other user fees don't increase because of a government edict directing them to do so in order to cover their shortfalls.

I'm greatly concerned about this horrible incentive that would lead the government to increasing prices and rates. Essentially, under Bill 38, the government will not only take credit for the sound fiscal management of their subsidiaries but may also precipitously increase prices and user fees to allow them to further increase spending. Unless no checks or balances are in place to see that this would not occur, I cannot see how any member, in good judgment, can support such a reckless proposal.

Il faut que nous remarquions la différence entre l'équilibre budgétaire d'opérations et les budgets sommaires. Le premier est le meilleur à décrire les finances du gouvernement du Manitoba et le dernier est supérieur pour masquer les finances sous le couvert des corporations de la Couronne. Il n'y a aucun règlement qui empêche le gouvernement d'appuyer une loi où les budgets sommaires et d'opérations sont en équilibre à la fin de chaque année fiscale, simultanément.

We must take note of the difference between a balanced operating budget and a summary budget. The former is best to describe the finances of the government of Manitoba, and the latter is better for hiding finances under the cover of Crown corporations. There is no rule preventing the government from supporting a law where summary budgets and operating budgets would be in balance at the end of each fiscal year, simultaneously.

If this bill, entitled The Balanced Budget, Fiscal Management and Taxpayer Accountability Act, were really about the spirit of its name, it would not replace the current yearly balanced operating budget requirement, but publish in addition a summary budget to satisfy GAAP requirements. Replacing the current yearly balanced operating budget with a four-year summary budget is a regressive policy bringing Manitobans back to the days of government secrecy and fiscal neglect, where deficits and debts skyrocketed out of control and Manitobans were left guessing as to the true financial position their province faced. I, for one, do not wish to revisit such an era.

I've highlighted the major reasons why I'm ardently opposed to this irresponsible legislation. Bill 38 will allow the government to sink Manitobans' finances into oblivion, increase car insurance premiums, liquor prices, hydro rates and user fees, all with no accountability because the worst thing that can happen is a negligible fine applied to the ministers. I've spoken to many other economists and I'm hard pressed to find anyone who can support this atrocious legislation, Bill 38. As a young Aboriginal Manitoban, I demand better of my government and urge all members to deny the passage of this bill.

Je vous remercie encore une fois de m'avoir écouté et de prendre mes suggestions à coeur.

I would like to thank you one more time for listening to me and for taking my suggestions to heart.

Mr. Chairperson: Thank you for your presentation. Questions?

Mr. Borotsik: Merci beaucoup, M. Hamonic.

Thank you very much, Mr. Hamonic.

That's about as far as I'm going to go. I know the minister can certainly do better than I but that was not bad, Ukrainian accent in the French.

Thank you very much, Mr. Hamonic, for your presentation. Very well thought out by the way. Certainly have identified the areas of concern that have been certainly identified by others when this legislation was presented.

Question. You've identified a number of very serious areas. You mention in your presentation that you, as an individual, do not want to go back into deficit financing and certainly increase debt, probably the most important piece of legislation facing Manitobans right now. Do you believe that we should take a sober second thought and perhaps go and talk to other Manitobans, give them the opportunity outside of this committee room to make their opinion known as you've had the opportunity to make your opinion known?

*(18:10)

Mr. Chairperson: I'm sorry, I have to recognize you first.

Mr. Hamonic: Absolutely. This legislation will have devastating effects to the Province's finances and in certain extent, it's very scary for what it can do. So I think, at the very least, this is a bill that should be well-thought-out and discussed with Manitobans, and the very minimum should be consulted much further and, hopefully, throughout the summer until proper recommendations could be set out. Hopefully the minister and the government will be able to rework this and see the faults that are contained in this bill.

Mr. Borotsik: Thank you, I appreciate your comments.

When you say there's a danger of using the summary budget, using the Crown corporations included in that, there's a danger of over-expending on the operating side. You're an economist. Do you as an economist believe it's important that the operating side of a budget on any corporation that may have other subsidiaries who bring together a consolidated or summary station, it's important that

each of those subsidiaries or each of those core budgets be balanced at the end of the year?

Mr. Hamonic: Absolutely. The current common private practice is simply just that. As I've recommended in my speech, the proper way to proceed would be to provide the summary budget as well as the operations budget because it's important to look at each integral piece and see how they're performing. So, with that being said, if you think one should be balanced every year, well, then, the core layer would be that every operation would be balanced at every fiscal year. And so, with that being said, I think it's necessary and important that we look at the operating budget as well as the summary budget and look at each subsidiary individually.

Mr. Borotsik: Thank you. I was waiting to be acknowledged because I sometimes get in trouble if don't.

The minister continually says two things: One is that this legislation is absolutely necessary because it has to be GAAP-compliant. That's the first thing he says.

The second one is there's no longer a desire or need because of the GAAP-compliance to have two sets of books. This is two sets of books and, as you are well aware, the normal understanding of keeping two sets of books is trying to show one set of numbers on one set of books and one set of numbers on the other set of books. That's not quite the case here. When you're doing a consolidated statement or a summary statement and an operating statement, that's not really keeping two sets of books, is it, Mr. Hamonic?

Mr. Hamonic: You're absolutely right. It's not. All it is is simply separating one component to the other and making sure that all the components within it are balanced. And with respect to the GAAP comment that you had made, one of the disappointing parts is in this act, nowhere does it contain at all discussion about GAAP. If the idea was simply about GAAP, all there simply would be is a separate rule to make sure the summary budget is balanced and to make sure that the operating budget is balanced as well. So I think it's somewhat disingenuous for the government to suggest that this is all about GAAP, because they don't even discuss it in the bill.

Mrs. Taillieu: Merci, Jesse. Cette présentation est très extraordinaire.

Thank you, Jesse. Your presentation is very extraordinary.

I got it right. Jesse, I just want to say it was an extremely good presentation, and you make me very proud.

As a young person, you must be very concerned about the future of the province. I mean, you are the younger generation. You are going to inherit a lot of these pieces of legislation that are being brought forward. How do you feel about the future for you and your age group?

Mr. Hamonic: Well, I'm glad you brought that up because I think that's a big concern to many youth my age. As you most all know, Manitoba has the eighth place for average weekly earnings in the country. We have one of the lowest GDP per capita, and so there's an extremely high out-migration of my age group. I think it's simply that students my age are starting to realize that this government and this Province are not taking seriously the future and our future, and it's very short-term viewed. And so I think in order for me to have, for us to have a future, my generation, I think the Province needs to take their finances seriously, such as tax reform, but at the heart of it is this legislation right here. This sends a big signal to youth my age that the government is not here for youth. They're here for a short term and they don't mind if deficits rack up so that me and my generation have to pay for it. That is very disconcerting, because I do not want to pick up the messes of past generations. I believe that every generation should have sound fiscal policy, balanced policies on every fiscal year to make sure that all of us have prosperous futures and prosperous present times.

Mr. Chairperson: Mr. Borotsik, for one short question.

Mr. Borotsik: One very short question. I've just found out that you're a student, I take it, of taking economics at the University of Manitoba? Correct? Are you considering taking any post-graduate studies at all?

Mr. Hamonic: I will be taking post-graduate studies and, actually, unfortunately, I'm going to be going to the University of Calgary. One of the biggest reasons for that is simply this province, I feel, has very limited growth opportunities. Unless you want to get into the construction industry, unfortunately, people like myself who want to work, perhaps in the finance or capital markets, have to leave.

Mr. Chairperson: Mr. Borotsik, for a very short comment.

Mr. Borotsik: Will you say hello to my two sons when you're out in Calgary, Jesse? Thank you very much.

Mr. Chairperson: Thank you, Mr. Hamonic, for your presentation.

Are there any other presenters requiring French translation in the audience? Seeing none, is it okay with the committee members to have our staff from Translation Services leave? *[Agreed]*

Thank you for your service.

We will now, as agreed to previously, begin our list of out-of-town presenters, beginning with Mr. Graham Starmer, Manitoba Chambers of Commerce. Mr. Starmer.

Do you have written copies of your brief? Please proceed when you're ready.

Mr. Graham Starmer (Manitoba Chambers of Commerce): Mr. Chairperson, Minister, we ask that the entire written submission be entered into the record. I will cover and focus on selected areas due to the time restraints of this comprehensive and well-documented response to the bill.

Please enter into record.

Mr. Chairperson: Is it agreed that we enter the entire presentation into the *Hansard* record? *[Agreed]*

Mr. Starmer: The Manitoba Chambers of Commerce appreciates the opportunity to present its views in relation to Bill 38. The government is to be commended for its continuing efforts to enhance fiscal transparency and accountability and, in particular, in responding to the concerns of Manitoba's Auditor General. As well, the government deserves high praise for embarking on a process that includes commissioning reports, making them public and then inviting Manitobans to provide their views. This whole area of discussion is quite complex, but first let me start by providing to the chamber recommendations, and then I'll provide some background as to their reasoning.

It is the Chamber of Commerce's position that the government should embrace the genius of and, by adopting a balanced budget requirement of a four-year average for a summary statement and a traditional one-year requirement to balance the operating fund or it's called the core government at the moment, or it is known the core government itemization.

We take this position for a number of reasons, including the traditional balanced budget requirement has served Manitoba well from a fiscal management perspective. The issue of how the balanced budget is defined is a policy matter that is outside of the scope of GAAP and the office of the Auditor General.

This government committed, and I quote, to developing an appropriate test that imposes the same level of fiscal responsibility and discipline as the present balanced budget legislation.

The government is essentially maintaining the operating fund and reporting on its itemization of the core government. The only thing apparently missing is the political will to commit to balancing that itemization every year.

The bottom line on the summary account will largely turn on the levels of precipitation that in turn fuels Hydro's coffers. As such, and in of itself, the summary account is not a sufficient barometer of our government's commitment to live within its means. Quite simply, no real policy justification has been offered that would justify removing the requirement to balance the core government itemization.

The balanced budget legislation involves a spending choice, a fiscal management commitment by the government to live within its means. As such, it involves aspects that are outside the purview of the Auditor General and, by and large, even GAAP. In the words of Deloitte, who produced the recommendations, Manitoba's balanced budget legislation is intended to enhance the accountability of the government to Manitobans for its fiscal management practices. Therefore, information contained in GAAP-compliant reports will be used to make this assessment. However, GAAP itself does not contain or dictate particular measure as to the preferred or primary means of assessing fiscal management performance.

* (18:20)

Introduced in 1995, Manitoba's balanced budget legislation was hailed by Canada West Foundation and the International Centre for Study of Public Debt as the best balanced budget law in Canada. At the time, servicing the public debt cost \$592 million, consuming 11.7 percent of all government spending. This was good enough to make debt servicing the government's fourth biggest department behind only Health, Education and Family Services.

According to the 2008 budget, public debt costs now consume only 2.7 of spending or \$263 million. Granted, the improvements in the economy since '95 and increased federal funding have helped matters, but make no mistake, the balanced budget legislation played a key role in help lower these debt costs. The role of the balanced budget legislation in this regard was acknowledged in the Deloitte report. We believe that the most important element of the existing BBL is that it imposes a level of fiscal discipline upon the government. This discipline is achieved through legislated constraints on spending and the requirements to provide funding for the debt repayment and pension payment contributions.

Indeed, the high regard for the value of the BBL was such that preserving it was one of the five key commitments when the current government was elected to its first term. The question then becomes, will Bill 38, in particular the move to a four-year average for balancing the budget, adequately maintain fiscal discipline and the need for transparency, accountability, consistency and some simplicity in relation to the government's fiscal reporting.

The Chamber of Commerce does not believe that this in itself will provide the public with the transparency it requires. The reason for the four-year window is due to the volatility in the summary financial statements, which, in of itself, could dampen the public concerns over deficits. This will be made all the worse when the public learns that these swings often have nothing to do with the quality of government's fiscal management. Indeed, conveying how little control the government has over its finances, was one of the reasons the Auditor General recommended expansion to the summary statements.

The misconception over control does not stop here. The summary financial statements can convey a misleading impression about the funds under control of the government of Manitoba. While the bottom line on the summary statement may imply the government has sufficient fiscal flexibility, all of that money may be due to the surplus within entities like Hydro and MPI. In such a situation, the government may have difficulty, actually, or the public perception point of view, assessing those funds. Consider the circumstances and add a crisis made worse by the lack of government spending, imagine the government trying to explain to the public why it did not spend more even though there is an annual surplus of \$175 million.

This misapprehension has already started. If anybody read the papers today, they would have seen the article related to the Canadian Centre for Policy Alternatives, and I quote a section: The CCPA is hopeful that Bill 38 will allow this government to invest greater in areas that it has neglected, and which are in dire need of upgrading, like social housing and strategies to prepare a growing Aboriginal youth population for tomorrow's government.

While continuing in the list of core government itemization, he'd go a long way of preserving the transparency, it does not address the fiscal management obligation that the government live within its means. The importance of this additional obligation was acknowledged by the government when it listed the following of key challenges in moving to GAAP. I quote, developing an appropriate test that imposes the same level of fiscal responsibility and discipline as the present balanced budget legislation, Mr. Selinger.

That is not explained is if the policy considerations deem it necessary to maintain the fiscal transparency of the core government itemization. Why do they not warrant the continuation of the fiscal restraint requirement regarding that fund? It is akin to being told the horse is still important, but removing the barn door.

There is a push and pull between GAAP approaches which emphasizes fiscal accounting, but has challenges regarding fiscal management; the current BBL operating fund, which emphasizes fiscal management but has challenges regarding fiscal accounting. Perhaps the real mistake is picking one over the other.

The key to effective accountability is having a level of responsibility commensurate with the level of control. Would it not make more sense to have different BBL time frames that reflect different levels of control, specifically utilizing a wider time frame to determine whether the budget is balanced? For an example, a four-year average for the entire government entity over which government lacks control and/or a more limited time frame, for example a single year, for the revenue and expense streams over which government has more direct control.

While the balanced budget legislation has helped shrink the debt of a number of Canadian jurisdictions, the need for government to live within its means is as important as ever, as you've seen from

the last presenter. If Manitobans do not get this issue right, it's our future generations that will pay, generations we are working so hard to retain with promises of an engaging and rewarding future, generations that will be saddled with demographic crunch where less workers will support an aging population with growing medical needs and therefore ill afford a growing amount of government revenues towards spiralling debt costs.

We must choose carefully. The greatest mistake we could make is to be lulled into believing we must pick either GAAP or the current BBL, or blur the distinctions between the two. Instead, we should focus on preserving both together, as they provide an optimal level of fiscal accounting and fiscal management Manitobans need and deserve. Thank you, Mr. Chair.

Mr. Chairperson: Thank you very much.

Mr. Hugh McFadyen (Leader of the Official Opposition): Thank you very much, Mr. Starmer, for the presentation and all of the work that has evidently gone into the written brief as well. It's quite a detailed document. I had a chance to leaf through it to some extent and there's a lot of great content there and analysis, so thank you for that as well as the summary that you provided through your comments. In particular, I want to thank you for making a clear distinction between the idea of accounting transparency on the one hand and financial management on the other, which are entirely separate concepts.

You could have outstanding financial transparency and disastrous financial management, and all that the accounting transparency will tell you is give you an honest picture of a bad situation. What we want to avoid is the bad situation, and I think that's what you've directed your comments to.

On that point, one of the initiatives under way currently by this government is the extension of WCB coverage to businesses and industries, some of whom, I suspect, are members of the Manitoba Chamber, who have a very low risk of injuries or low-cost injuries and workplace accidents and risks associated with them with a view, in our view, toward enabling WCB to derive revenues from those businesses with a relatively low risk of having to pay out benefits on the other side. The impact, of course, on the companies involved will be an added cost to the companies and on the employees, in most cases, worse coverage than what they're currently getting under their private insurance plans. Our worry is that

this is a reasonably transparent move toward increasing revenue at WCB as a way of allowing the government to present that revenue added into the balanced budget calculation in order to mask operating deficits.

I'm wondering if you've had any comments from your membership on that move on WCB and whether any linkage has been made between this piece of legislation and that very regressive policy move.

Mr. Starmer: I'm just wondering whether to proceed on that. Yes, we've not looked at the connection between this legislation and the WCB. Our belief that the expansion of WCB is partly related to, as you indicated, increasing revenues, but also providing the government the opportunity to have an improved accident rate percentage. By enlarging the pool, you decrease your percentage of injuries, you know, the percentage per population.

*(18:30)

So we believe that that's the process, and, yes, our members are seriously concerned related to that discussion at the present time. We haven't connected it with this legislation particularly.

Mr. McFadyen: My other question is: As you know the existing balanced budget legislation contains a requirement that there be a referendum in the event that the government proposes to increase taxes, the main own source revenues to the provincial core consolidated fund. I wonder if you can comment on the apparent objective of this legislation, which is to not want to remove the referendum requirement on tax increases, but to instead use Crown corporation revenue as a way to get around any problems that they may have on balancing the budget, and what analysis and comments you might be able to provide in terms of who that most impacts. Our sense is that those at the lower end of the income scale who are most sensitive to rate hikes, in particular at Hydro but also at Autopac and other areas, are going to see their rates go up or there would certainly be upward pressure on their rates while tax levels may be capped because of the referendum requirement. Have you looked at that issue and can you offer any comment on that?

Mr. Starmer: We've looked at the issue from every way which way and, basically, we believe that with an accountability such as the balanced budget legislation on the core government plus the responsibility to balance that, the summary statement

and the balance on that would not be as pervasive as having the balance to their revenues. If you just have the four year plus the balanced budget legislation on that, together with the Crowns and the exemptions that are being provided, we find that the balanced budget legislation that exists on the summary probably will not have any controls or fiscal management on the government whatsoever.

Mr. Chairperson: I'll allow Mr. Borotsik a quick question and then Mr. Selinger.

Mr. Borotsik: Okay, two very quick questions. You speak for the chamber and I appreciate that and I know—how many members do you have in your organization?

Mr. Starmer: Ten thousand.

Mr. Borotsik: I know that you could not possibly canvass all 10,000 members, but have you had any feedback at all from any of the membership? I know you're in contact with them on a fairly regular basis. Have you had any feedback from them based on your very extensive presentation, I might add? What's the general tone of the chamber members right now with respect to not balancing the core budget?

Mr. Starmer: Yes, we have regional vice-chairs that are in contact with most regions of Manitoba, and they have fed back into a policy committee and the chamber related to their opinions on this, and the way the bill is suggesting, they're not very much or they're not in favour of that process.

Hon. Greg Selinger (Minister of Finance): I'll defer to him for one quick question.

Mr. Borotsik: Just a very quick question. Thank you, Mr. Minister. Is it your opinion that the government could comply with GAAP? We recognize that that's the reason for this whole charade, if you will, it's the GAAP compliance. Could they comply with GAAP with the summary statement and the operating statement simply with an amendment to the existing legislation?

Mr. Starmer: We believe that they could ask for a special purpose audit on the core balanced budget legislation, and we're led to understand from our specialty accountants that that is quite possible. We believe, as you know, the Auditor General has said that the balanced budget legislation is a political tool and, if required, she will audit what she is required to do under the balanced budget legislation.

So we don't have any problems with that. I think the fear that we receive from our membership is

around the loss of control over spending. Spending has been pretty consistent over the last number of years, and we want to see that there are certain controls on that.

Mr. Selinger: First of all, Mr. Starmer, I'd like to thank you for your presentation. I've scanned it and read most of it now while listening to your presentation. It's pretty obvious that you folks really wrestled with the financial management accounting conflict that sometimes emerges under existing BBL and, even perhaps under the new legislation as proposed. I thank you for taking those issues seriously.

Madam Vice-Chairperson in the Chair

I just want to be sure that you're aware of the fact that, in the new legislation, we require a financial management strategy to be developed, put forward in the budget, and accounted for and measured against every year. Are you aware of that?

Mr. Starmer: Yes, we are.

Mr. Selinger: Thank you, Madam Vice-Chair. Just one final question.

As I think you'll be aware, the growth in core government revenue over the last eight years or so has been quite dramatic, started from about \$6.3 billion eight years ago and is now in the range of \$10 billion, an increase of close to \$4 billion on core government revenues in a very short period of time, much of which is coming from Ottawa in the form of both equalization and other transfer payments, in excess of \$300 million added to the budget this year in new transfer payments alone.

What is your view on the value-for-money question with all of this increased spending, and now a desire on the part of government to be able to run deficits on the Consolidated Fund?

Obviously, there's a view within government that they need to spend even more than what they're currently spending. Looking back from where we stand today, do you think that we've seen the dramatic improvements in health care, public safety, environmental protection and education that one might expect from the dramatic increase in spending that's occurred?

Mr. Starmer: Yes, we have been monitoring, although it's been extremely difficult due to the diversity of the government portfolio. It's difficult to do a value-for-money audit on that process.

We monitor, as you know, the Auditor General's activities as far as the individual areas. The amount of money that's increased should provide the government a wide range of options. That's why we cannot see any need to stay purely with the summary budget without some controls on the government's spending itself, because we think that that's probably one of the most important areas to oversight and review and control.

Madam Vice-Chairperson: Time for questions has expired. Thank you for your presentation, Mr. Starmer.

For information of the committee, Darlene Dzewit is registered to speak to Bill 38, No. 3 on the presenters list. Is there leave of the committee to hear presentation from her colleague, John Doyle, instead as she won't be able to make it? Is there leave?

Some Honourable Members: Leave.

Madam Vice-Chairperson: Leave has been granted.

Also, please note that Mr. Doyle is not an out-of-town presenter, so we will proceed to Shannon Martin. Shannon Martin here? Do you have copies, Mr. Martin?

Mr. Shannon Martin (Canadian Federation of Independent Business): No, I don't.

Madam Vice-Chairperson: Please proceed.

Mr. Martin: Thank you, Madam Vice-Chair. Good evening.

My name is Shannon Martin. I'm the director of provincial affairs for the Canadian Federation of Independent Business. On behalf of CFIB and our Manitoba-based members, I'm here this evening regarding Bill 38, The Balanced Budget, Fiscal Management and Taxpayer Accountability Act.

CFIB is a non-partisan organization, exclusively representing the interests of 105,000 small and medium-sized, Canadian-owned, independent businesses. In Manitoba, we have approximately 4,800 members. We are funded entirely by our members to take direction from them regularly through surveys on various issues.

* (18:40)

To fully appreciate CFIB's concerns related to Bill 38, one needs to understand the general attitude towards a policy of balanced budgets by those same elected officials who, today, seek to end it. These

comments are from *Hansard* during the debate on the original Balanced Budget Act, Bill 2, and range from the now-First Minister to his Cabinet minister, including colleagues that sit around this table.

The original concept of balanced budget legislation was referred to as a cynical pre-election ploy, a public relations exercise, a political gimmick. Balanced budget legislation is trendy. Balancing a budget every year cannot be defended on any economic grounds. This bill will not work. This legislation does not correspond with any economical theory known to person kind, either historical theory or current economic theory.

One of the most odious parts of this bill is that it hamstring future governments. An election gimmick to bind themselves into an irresponsible fiscal straitjacket. Window dressing. A sham. No government needs balanced budget legislation. It is one of the most unthinking pieces of legislation. This silly bill and this silly public relations stunt. One of the most dangerous pieces of legislation we've had to deal with. Bill 2 is an ideological crusade, a bill that is destined to make Manitoba the laughing stock of the financial management world. We warn the government we do not think it is going to work. An unrealistic piece of legislation this government is going to have an enormously difficult time living with. A very mean-spirited and regressive measure. Undemocratic.

This legislation takes away the ability of democratically elected governments. The principle of balanced budgets, the principle of debt repayment, the principle of taxpayer protection, they are like three enticing bottles of perfume which give Manitobans pleasure to behold and to smell but if they swallow it, it will be deadly for them. It will not mean that the province will be more economically viable. It will have a deadening impact on Manitoba. This bill will endanger the economy. Its real purpose is an abdication of responsibility.

Despite these dire warnings from the Minister of Finance's colleagues when they formed Her Majesty's Official Opposition, his government has been able to live within the parameters as defined under the original balanced budget law for almost 10 years. In fact, if one was fully to embrace the economic picture of nirvana painted by this government, including phrases like historic investment, return of the building crane and firing on all cylinders, one could only conclude that the annual balancing of the province's operating budget under

Bill 2 did not hamstring this current government, and it has not had an enormously difficult time living with it.

With new spending of almost \$9 for every \$1 in new tax relief in the most recent provincial budget, all under the current balanced budget legislation, I would respectfully suggest that this government is hardly in a fiscal straitjacket as prophesized by the minister's colleagues.

Now we fast-forward to today, and I can assure members of this committee that CFIB's members are not as enamoured by the province's fiscal picture as they are. In a recent survey asking how effective is your provincial government at value for money in providing those services used by your business, Manitoba ranked No. 1 among those provinces in terms of being described as ineffective.

When asked how effective is your provincial government in creating a system of fair taxation, again Manitoba ranked No. 1 in terms of being described as ineffective.

So today Manitobans are left with a question of who's laughing now. As previously noted, the Premier (Mr. Doer) as Opposition Leader in 1995 described Manitoba's balanced budget legislation as destined to make Manitoba the laughing stock of the financial management world. Despite the mountain of ridicule, as noted earlier, that they heaped on Manitoba's balanced budget legislation, the government of the NDP recognized that the taxpayers were in favour. As a result, they made retention of balanced budget legislation one of their five key commitments to you and your family during the 1999 provincial election.

Fast-forward nearly 10 years and we find ourselves with a government which with passage of Bill 38 is preparing to gut any semblance of fiscal responsibility from existing balanced budget legislation. The new legislation creates a fiscal accountability hole so big that you can literally drive a truck through it. The key issue is this government's unwillingness to be financially responsible for balancing core government operations including health, justice, education and transportation. Instead, income from Crown corporations will be now included to help balance government spending.

To understand how problematic this is, consider the most recent provincial budget. In theory, under this legislation, the government could have increased spending by a whopping \$665 million and still called

it a balanced budget. This excess balanced spending is then added to taxpayer-supported debt, increasing interest payments in future budgets and burying future generations.

Another problem with the legislation is that it moves us away from balancing the budget every four years and substitutes a provision that budgets must be balanced on a four-year average. In theory, this might sound reasonable. In practice, it opens the door for political manipulation. Yearly accounting is straightforward and easy for people to understand. Four-year rolling averages are not, and that is what this government is counting on.

Moving to a four-year average and blending income from Crown corporations into the government's bottom line makes the odds of any provincial government running a deficit about as likely as it is to end hallway medicine. Bill 38 opens the door for this government to return to the days of deficit financing. Manitoba's Crown corporations can be consistently counted on to post income in the hundreds of millions of dollars, providing a huge but fictional cushion to overspend. What should send a chill through every taxpayer's wallet is the fact that under the proposed legislation, this government could, using the proposed four-year summary budget average, overspend its core budget by as much as \$3 billion during its current mandate and still legitimately claim a balanced budget. Overspending on this scale will only add to Manitoba's growing provincial debt of almost \$11 billion, diverting hard-earned tax dollars from funding health, highways and higher education to paying off interest charges.

With annual revenues of almost \$4 billion, or 63 percent in 2008 compared to 1999, one would think that living within one's means should be easy, but apparently it is not. New provincial spending has more than kept pace with no end in sight. After the NDP's campaigning on and living since 1999 within the confines of existing balanced budget legislation, Manitobans need to ask two questions.

First: why now? After almost 10 years in office, why is there a need to move away from annual balanced budgets?

Secondly, what is driving this legislation? What is the government not telling us in terms of planned spending sprees or looming financial crises?

While the government will attribute the proposed changes to new generally accepted accounting principles, there's absolutely nothing

within GAAP that remotely suggests the government should not or cannot balance its operating budget on an annualized basis. New accounting methods should not become an excuse to void accountability. Bill 38 crosses the line from bad public policy to awful and Manitobans deserve better. Who's laughing now? This government is, and the joke is on the taxpayer. With legislation like this, is it any wonder that Manitoba remains a have-not province?

Mr. Borotsik: I appreciate that. Thank you, Mr. Martin, for your presentation. I guess, it doesn't take, I mean, long to figure out which side of this particular legislation you're on. I do appreciate it.

There're a couple of things that you had indicated. This Finance Minister and this government takes great pride in standing before us and saying this is their ninth balanced budget, balanced on an operating budget with increased revenues and increased expenses, all the rest of it, but it is balanced. You asked the question, I'm going to ask you the question.

Why now? If they can balance the budget for nine years and take such great pride in that, why do you feel now they would deviate away from that balanced core budget and go to this wonderful summary statement as well as a four-year balanced budget?

Mr. Martin: Well, you know, while I'm a big *X-Files* fan and I'd like to allude to some sort of vast government conspiracy, I have a lot of respect for the Finance Minister. I can't attribute his motives for the change, but I'm here to suggest that the change is simply unwarranted, unnecessary and unwanted.

Mr. Borotsik: The Canadian Centre for Policy Alternatives had a really interesting article in the paper today which suggested that balanced budgets are not necessary. I ask the government the question as to whether they embrace that particular philosophy. They haven't in the past nine years, and I don't know whether this is an attempt to embrace that particular philosophy, but in your opinion, based on the legislation, based on the accounting and based on the information that would be provided to Manitobans in the Legislature, they could in effect have a deficit in the next four years very easily and not make up for it in the fourth year. They could deficit finance for the next three years and not make up for it in the fourth year. Is that fair to say?

* (18:50)

Mr. Martin: Under this legislation, any future government, be it NDP, Liberal or Conservative, can deficit-finance. They can run a deficit within their operating budget and use Crown revenues to amass that deficit. As I said earlier, I mean, this government has noted publicly that they have abided by every single year under their three consecutive mandates living under Bill 2. It has not hamstrung them, as some of their colleagues suggested in 1995. It has not put them in a fiscal straitjacket. It has not in any way ended, you know, the fountain of spending that has occurred.

Mr. Borotsik: I asked the same question of Mr. Starmer: could or do you believe with an amendment to the existing legislation this government could, in fact, comply with GAAP as being asked for by the Auditor General? Could there be a compliance with GAAP and still maintain the core operating budget with a simple amendment to the existing legislation?

Mr. Martin: Absolutely. It would not be difficult for this government to amend this legislation in such a way to require any government—be it this government or future governments—to balance that core operating budget while still reporting to the public of Manitoba the summary financial statements of the province as required under GAAP. It is not a difficult thing to do. I mean, it's important to remember the government is just that: it is a government. They are the body that makes the rules. Case in point, when the dividend was taken of Manitoba Hydro, legislation had to be passed for that to occur. Governments can do that. Governments can make the rules.

Mr. Larry Maguire (Arthur-Virden): I was just going to allude to that, Mr. Martin. Thank you very much for your presentation. You know, I might differ. I might be one around the table, as a former Finance critic, to disagree with those who are saying that the last nine budgets have been balanced in this province because I don't believe they have, but even if you stretch that, they had to take five—basically, \$203 million. What government would pass its own legislation to require to take three-quarters of the profits of the Crown corporation called Manitoba Hydro out to use in operations of its budget, as this government did in '03, '02, '04, I believe it was, for those three years?

Do you believe that this type of legislation is now coming forward to make it more formal opportunity to, as you say, use the smoke and mirrors of balancing the books by utilizing the profits of the

Crown corporations that you indicated are some close to a billion dollars on an annual basis? And, at a time when the transfer payments and equalization are already some \$600-700 million higher than they were in 1995, that the public wouldn't accept a government to put a bill in place to take three-quarters of the profits out of Hydro anymore so they're doing this instead?

Madam Vice-Chairperson: Mr. McFadyen.

Mr. Martin: Sorry, Madam Vice-Chairperson, can I respond?

Madam Vice-Chairperson: I'm sorry.

Mr. Martin: I would never attribute motives to the Minister of Finance (Mr. Selinger) but I would suggest that under the legislation, it definitely does muddy the picture.

I mean, let's be frank here. Manitobans, generally speaking, don't pay a lot of attention to the Province's finances. It can be a complicated process. A lot of people get their taxes done, either, you know, they'll go out and buy a you-file program and punch in the numbers and bing, bada boom it's done, or they'll hire an accountant to do it. People, generally speaking, can get overwhelmed by these things. We shouldn't, as a government, go out of our way to make it more confusing than it should be. At the end of the day there is absolutely no reason why this government or any future government cannot balance its operational budget on an annualized basis.

I mean, the previous government did. This current government has, year over year over year, and despite those confines of Bill 2, I continually hear or read news releases talking about the phenomenal growth in our economy, the investments, you know, the re-announcements of various projects and that. All things told, from this government, things are going pretty well, all within the confines of Bill 2, so it hasn't been the fiscal straitjacket prophesied in 1995 and it can be done and it should be done.

Madam Vice-Chairperson: Mr. McFadyen, very quickly, please.

Mr. McFadyen: Thank you, Madam Vice-Chairperson, for your latitude.

With every piece of legislation that impacts finances, underlying it is a reflection of the values of the government. There are winners and losers when these sorts of broad policy decisions are made. What

this bill appears to do is put upward pressure on rates at Autopac and on hydro, rates which are paid by people. The people who are most sensitive to those rates are people at the lower of the income scale and rural and northern residents who require vehicles as well as city dwellers who can't get around any way other than by driving vehicles. That's where the issue comes in with Autopac. Everybody pays hydro bills. That's where the pressure is going to come.

In addition to that, to the extent that this is going to lead to increases in a general purpose debt of the province, it's the next generation of Manitobans who will receive that mortgage that we'll be passing on to them.

So I want to ask you to just comment on your view on the ethics of distributing the burden to those who are too young to be able to stand up for themselves and vote today, those who are at the lower end of the income scale and rural and northern residents who are going to be most sensitive to hydro rate and Autopac increases. What does that, in your view, say about the values of the government when those short-term people on the receiving end are going to benefit at the expense of those who are unable to vote today and those who are at the lowest end of the income scale?

Madam Vice-Chairperson: Mr. Martin, if you could keep it short, please.

Mr. Martin: Well, it's a pretty loaded question by the Leader of the Opposition. In response to it, I will say that I think it is incumbent upon every elected MLA in this Chamber to think long and hard about the legacy they are leaving Manitobans today and tomorrow.

I think Manitoba has done a very good job since 1995 in addressing its long-term debt. This government deserves credit for addressing the pension liability. These are legacies that, well, may not be flashy in terms of ribbon cutting. These are the kinds of legacies we should be looking to leave our children and grandchildren. If we really want to turn that page on Manitoba and embrace Manitoba as the have province that it can be and join the west so that we don't have premiers like Stelmach and Wall, when they talk about the western economy ignoring Manitoba. I think this legislation, in the opinion of CFIB, is contrary to that goal.

Madam Vice-Chairperson: Thank you, Mr. Martin. Thank you for your presentation. Time has expired.

Mr. Martin: Thank you very much, Madam Vice-Chair.

Madam Vice-Chairperson: We will now call Don Halbert. Is Don Halbert in the—Mr. Halbert will now go to the bottom of the list. Clayton Manness.

Mr. Manness, do you have a presentation to distribute?

Mr. Clayton Manness (Private Citizen): I do not have one to distribute.

Madam Vice-Chairperson: Fine. Please proceed.

Mr. Manness: Madam Vice-Chair, I appear as a private citizen but one who has a fair degree of knowledge, experience and even a little passion for preparing provincial budgets. By that, I mean core operating debt budgets, not some nebulous hybrid that confuses, confounds and obfuscates. As some of you realize, I've been out of the public limelight happily for 13 years and purposely have not chosen to challenge publicly any proposed legislation. But this time it's different. It's time to stand up and be counted. Again, I do so as a private citizen.

My successor and my friend Mr. Stefanson was a sponsor of the present law, which was passed in the fall of 1995 after I had retired. Nevertheless, I was cheering from the sidelines. Why, you ask, were you cheering? Well, it wasn't because the government of the day was my government, and it was not because the new era of balanced operating budgets was about to begin, although obviously that was important. I was applauding because the previous agony of not being able to balance the budget had finally ended. The spiral of ever-increasing debt leading to debilitating interest costs and agonizingly difficult budgeting decisions had hopefully ended.

* (19:00)

Someone may ask, well, how important was this legislation? Important enough, I suppose, that 13 successive budgets—and maybe it's 12 and maybe it's 14, I don't count anymore—developed by two different administrations, have chosen to follow the present law, and important enough that I read somewhere, and I think the Premier (Mr. Doer) said, that interest costs now represent 6.5 percent of all current expenditures. Is that the number? I don't know. A far cry from the 16 percent to 18 percent that can rapidly occur over a few years leading up to the first budget that I prepared, and when there is still no will to practise discipline around the operating budget, the current accounts, the cash accounts,

anything you want to call it. Let's give some credit to those ministers of Finance who have chosen to balance, and I do.

This is not the reason I have come here tonight. I am not intimate with Bill 38 although I read the minister's second reading notes. But I do not need to be well-versed, for with the limited time that I have, I wish to address only two points: the so called four-year average budget and rolling the results of the Crowns into the budget exercise.

Only an economist could have dreamt up this plan or an outside financial consultant wanting to lend more money to the government, and that has happened—I'll refer to MPI a little later on, Mr. Schroeder and Mr. Kostyra—or a policy wonk who decided to take all the recommendations about a summary financial year-end report from various sources, including the Auditor General, turn it to some rolling, lagging retrospective average over four years, and try and convince us all that somehow, this proposed legislation will be more accurate and more comprehensive, more transparent and a better way to budget.

As a trained economist myself, all I can say is, nonsense. Patent nonsense. I, too, was a Minister of Finance when provincial auditors wanted consolidation of accounts, but the focus then was on reporting after the budget year was completed. By extension, it was never in my time believed that any *[inaudible]* in the preparation and the presentation of the current account, the in-house operating budget, should ever be compromised. For what possible reason would this government, or any government for that matter, want to stray from very simple single-year budgeting, not including the Crowns, fairly easily understandable to those Manitobans, those few Manitobans who really are concerned about deficits, accumulated deficits, debt and interest payable on the debt?

Surely no one with any credibility in the accounting field, and I realize I am really painting people here with whitewash, would sanction such an action as commingling core government activity with Crown activity before the fiscal year in something called a summary budget. I do not care what the professional accountants say. The public's understanding of simple, single-year, cash-in cash-out budgeting in the core expenditures of the government trumps the niceties of some nebulous summary budget concept every time.

On some of these issues, the government has to lead and simply not adopt new practices that are counter-productive, even if they come from the professional accountants, even if we believe they're steeped in some type of accounting principle, cannot simply adopt the new practices and, in spite of maybe even good intentions, can be abused by future governments.

One does not know how many representations were made to me from inside and outside of government when I was minister to take the highway capital expenditures out of current estimates and show them instead to be capital because it could be argued that they represented long-term investments or assets, as if for the next hundred years we would not need expenditures on that magnitude and more, every year.

The very essence of reporting to shareholders in both the corporate and non-profit worlds and taxpayers in the public affairs field is performed yearly so as to measure meaningfully management's ability to cope with the variables known and unknown that create uncertainty and that are only measurable as against some line in the sand, in other words, the yearly operating budget.

Surely, the provincial auditor cannot sit idly by and not comment, and I don't know whether she has or not. Yes, she is a servant of the Legislature, but to give any government so much freedom as to allow an average four-year budget is simply ludicrous. In a moment, I'll explain why this is so.

I take some credit for setting up the Fiscal Stabilization Fund that still exists today. Our opposition of the day, led by Mr. Doer, never liked the legislation, but, because Manitobans generally did, the opposition's criticism was muted. We brought the rainy day fund into being only because it gave Manitoba some degree of pride that, in spite of horrible deficits that had existed for 10 years prior, it was still better to have a savings account.

Once governments had seen the wisdom, followed by the ability and then the reality of balancing the budget, if there were unexpected drops in revenue or horrible increases unexpectedly, significant increases in expenditures, the government could access the fund.

The approach has been criticized by some. Why? Some are offended that it is called revenue, or revenue twice—big deal. It's a savings account—nothing more, nothing less. You use it for the

purpose in what you save. It's a savings account to be used prudently.

I believe, over many years, it has been used in that fashion. Do not criticize it. Pretty simple, isn't it? But it wasn't so simple budgeting in 1989 and for six years after, interest gobbling up 16 percent of the revenues, leading to excruciating Treasury Board decisions and generally cost cutting.

I still hear the present government at times refer to that era in drooling sarcasm. It is so much easier and delightful to ramp up spending to fuel expectations and actually deliver more. More has been provided, particularly in terms of transfer revenue, as a result of burgeoning economic activity in the resource sectors in other parts of Canada.

Are we not fortunate, can we not expect this transfer increase to continue? Have not all the myriad of public-sector unions signed long-term contracts and labour stability is guaranteed?

We do know that large portions of our hallowed manufacturing sector are threatened by a high dollar. A payroll tax was never meant to apply for a dollar equivalent to the U.S. It was made for 67-cent dollars, at which time we could export that tax to buyers elsewhere. Obviously, this is no longer the case.

So what is about to happen on the tax revenue side or, for that matter, the expenditure side that we do not know about that calls not only for the now four-year summary budget which also asks for an inclusion of the expected results of our Crowns, when our Crowns make money?

Something does not add up. It is simply bizarre, defies all logic. What is about to happen? Is it the demise of the manufacturing sector in Ontario? Is it the future impact of the new environmental legislation upon the oil industry, or is it on the spending side, an explosion of new social spending, continuing double-digit increases in health, or the advent of a new round of inflation leading to large public-sector wage increases, or all of the above?

I'm sorry, I don't want to conjure up that the sky is falling but, when you don't address these issues, all these questions come forward. As you can see there is doubt and, yes, fear, as to the real rationale for such changes.

In 1992, I was faced with a census-count adjustment, based on the 1991 census that showed fewer Manitobans than Ottawa had previously

believed Manitoba had. Manitoba had been significantly overpaid in formula transfers for years. The clawback, completely justified, was over 250—I forget, I've tried to put the horror story behind me. It just about personally killed me.

These types of unforeseen events can be addressed through careful and diligent handling of the rainy-day savings account and in themselves—

Madam Vice-Chairperson: You have one minute left.

Mr. Manness: —I'm summarizing right now, Madam Vice-Chair—no rationale for abandoning the origin in balancing.

I had a good time to address the decision invoking de facto tax impositions on the Crowns the Speaker obviously talked about in summary, Madam Vice-Chair. This should be considered the loose-handcuff bill. Give the appearance that the balanced budget legislation is still here and, as the minister's speaking notes on second reading, say, but improved.

Nothing is really changed. If really needed, for some unexplained reason at this time, the handcuffs can be slipped off and the government can be free for whatever motives it wishes to run deficits on the rainy-day account.

So please scrap this bill. If you cannot, then at least do the honourable thing and scrap the balanced budget law that exists today, which has worked well, which is respected and has a moral obligation to balance in an honourable fashion. Thank you.

* (19:10)

Mr. McFadyen: Thank you very much, Mr. Manness, for the extremely thoughtful presentation, the passion which has gone into it and the insight that you provide to those of us who are more recent additions to this Legislative Assembly.

You spent many years in the role of Finance Minister in this province, through some extremely challenging times. One of the things that you were able to do as part of your responsibility as Finance Minister was to meet with bond rating agencies and lenders to the Province of Manitoba.

I wonder if you could just walk through briefly the history of the credit rating adjustments that were made in connection with Manitoba's debt load and reflect or comment on what your view would be as to the likely impact of this legislation on the assessment

by credit ratings of the financial health of this province.

Mr. Manness: Well, probably, nothing for two or three years. There's a lag effect to all of this. It takes awhile. Mr. Selinger and this government is reaping the benefit of many years of 12, 15, and even, I daresay it'll even come back to my time to try and wrestle with that. Twenty years of diligence around the budget, and the government today is reaping that benefit. So the lag effect is long.

So to answer your question, and I do so, this is unrehearsed as you know, I think that under this new policy, the rating agencies would say for three or four years, well, we'll watch. We'll just watch this. We'll see what they mean. My challenge, if I were one of the members, I'd say, well, Mr. Selinger, show me how it is that—give me some sensitivity analysis, to use an economist's term, show me how it is that if these Crowns, if Workers Comp has a \$400-million surplus and Crop Insurance somehow has a \$200-million surplus, show me how that is, how it works under various scenarios and given that Health all of a sudden is going to have a \$300 deficit.

So I would like to see that. If I were a bond rating agency, I would ask those questions now without passing judgment.

Mr. Kevin Lamoureux (Inkster): It is great to see you here, Mr. Manness.

Mr. Manness: Thank you.

Mr. Lamoureux: Being a former Minister of Finance, how difficult would it be to provide a document that would show whether or not government has balanced its books on the core expenditures of government? Just how difficult would it be?

Mr. Manness: Well, it's being done today, maybe not completely to the hundredth degree, but it's being done and that's one of the dilemmas here. I mean these merging of two summary accounts, I, for one, and I'm not speaking for my whole party, I, for one, never saw the great rationale of doing that, I'll be very honest, because there was separation made between the government and the Crowns and it was done purposely. It was so that the numbers never ever came together, and because of assets, the balance sheet of assets and liabilities and accruals and all that, and accountants and the world they work in said no, we better put these together.

So here we had an overriding umbrella over the core side, but somebody's good thinking said, hey, we don't want to dismantle this. We don't want to go to the people for increased taxes, so let's blend them together and show, and there won't be a cent that'll move from the Crowns to the government that I can see. But the ability then to borrow purely, if indeed the accumulated surpluses of the Crowns are great, will just be a blank cheque.

I tried to do some calculations in my mind, Mr. Minister, with respect this morning at 4:30 because I got up, I couldn't quite think this through. And I realized, my goodness, that could be. I had \$500 million a year was what my number came out. The previous speaker said 750. Well, you can imagine how quickly you can add billions to the debt.

It's not meaning that this minister wants to do it and would do it, but I can tell you that minister may not be there much longer. He may be there forever, but he may not be and so this law is now for everyone. Sorry Madam Vice-Chair.

Madam Vice-Chairperson: Mr. Borotsik, we have less than a minute.

Mr. Borotsik: Thank you, Mr. Manness. Very, very non-spin type of presentation. I actually understood it, which I can't normally understand the Finance Minister. But I agree, the Finance Minister does do a reasonable job of balancing the budget and has in over nine years.

I have just two quick questions. You went through some very rough times. I remember sitting across the desk from you when you were cutting back funding to municipalities, but you did so for a number of reasons. You talked about the clawback from the equalization. That can happen. Government, the federal government, what it gives, can certainly take away and, certainly—

Mr. Manness: Well, the numbers were in count. Our population numbers—

Mr. Borotsik: No, but equalization is based on a formula, so it can be reduced, can it not?

Mr. Manness: Equalization? Well, if you have an agreed-upon formula then it's there until it changes.

Madam Vice-Chairperson: I'm sorry. Time is—

Mr. Borotsik: Just one quick—

Madam Vice-Chairperson: No, Mr. Borotsik, I'm sorry.

Mr. Leonard Derkach (Russell): It would seem to me that we have a very good opportunity as a committee tonight—

Madam Vice-Chairperson: If you'd keep your questions short, you'd have a better chance of getting—

Mr. Derkach: I'm not asking him a question, Madam Chair. I'm asking you a question, all right?

Madam Vice-Chairperson: I know. If you keep it short you have a better chance of maybe getting what you're asking for. *[interjection]* Okay.

Mr. Derkach: Madam Vice-Chair, I think we have a golden opportunity this evening to hear from someone who was a steward of the Department of Finance for a number of years and brought the Province through some very difficult times. And this is why we might consider hearing from an expert in the field of finance and economics, and I would ask the committee for leave to allow Mr. Manness—as has happened in the other committee with people who appeared who had the credentials to perhaps inform the committee on matters of, I think, of importance to the province—I would ask that the committee grant Mr. Manness and this committee some leave to ask a couple of more questions so that, indeed, we could better be informed about this legislation.

Mr. Selinger: I think we could agree to another five minutes—

An Honourable Member: No precedents.

Mr. Selinger: No precedents. Another five minutes, and recognizing there are other people that have taken their time to come here and present as well.

Mr. Derkach: Thank you.

Madam Vice-Chairperson: The leave has been granted for five minutes.

Mr. Borotsik: Thank you. You did live through some very difficult times in the early '90s. What was the interest rate at that time? Do you recall what you were paying on interest?

Mr. Manness: We were paying double-digit interest. We had loans all over the place. There was just not one set, I mean, all this stuff comes around, but we were paying anywhere from 12 to 16 percent. We were running around trying to patriotize the debt; we were borrowed all out in other markets, so we were dealing with high interest rates.

Mr. Borotsik: May I ask Mr. Manness to keep his answers just as short as the questions, because I know there are lots of people who would like to talk to the expert. And that's true. Can you recall what the level of debt was at that time, back in the early '90s?

Mr. Manness: The level of debt was—a direct was \$6 billion from—

Madam Vice-Chairperson: Mr. Manness.

Mr. Manness: Sorry. I happen to know the answer to this question, that's why I'm in a rush. I think direct debt was \$6 billion and the guarantee on the Crowns were five.

Mr. McFadyen: Thank you, Madam Vice-Chair. I just want to ask you, Mr. Manness, to comment on the concept of net debt which has been introduced recently—and it's not unique just to the provincial government. I know it's happened at the federal level as well, and so it's a non-partisan question. I want you to comment on this notion of net debt which subtracts quote unquote assets from hard and real liabilities of the province.

Mr. Manness: I can't give you a good answer to that. I'm not steeped in this anymore. I do know that for many, many years you had those people say, hey, look at the balance sheet; don't look at the operations; look at the balance sheet, and try and give value to the assets and borrow on the value, on some discounted value of the assets. And let that be your guide.

I know it was so bad, and members here, new members won't know that, but Vic Schroeder, who is now the chairman of Hydro, was convinced by a representative from outside Wood Gundy—and there was a different company called MPI. It's not the MPIC, it was MPI. It was called Manitoba Properties Incorporated. And do you know that the government of Manitoba at that time was so desperate for cash they sold the buildings; not this one, but half the campus at the University of Manitoba. They sold it to a Crown. So here was a Crown set up to take the proceeds of a building sale and only so they could—it was a lease buyback. And they saved, I think in five years, \$18 million of interest. But they had to lodge as security a long list of buildings in the province of Manitoba.

* (19:20)

And so I don't think I've addressed your question on that debt, but there's no end to the possibilities of manipulation if you can become that desperate.

Again, I'm not laying that at the feet of this minister, but I'm telling you in the wrong hands, it is destructive.

The funniest thing that ever happened, one of the funniest things in the House. I can remember when new Minister Kostyra was asked to explain what MPI was. He didn't have a clue. Charlie Curtis, the venerable Deputy Minister of Finance, didn't have a clue either, and they went into the bowels of the Department of Finance, and they didn't have a clue. They had to bring a Wood Gundy expert to explain what had happened. So that's where this stuff can lead.

Mr. Derkach: Thank you for your presentation, Clayton. Very inspiring.

But let me ask you. If you were to give one solid piece of advice to the Minister of Finance (Mr. Selinger) as it relates to this bill in terms of making it one that lives by the true principles of balanced budget legislation and also accounting principles, what would that be?

Mr. Manness: Madam Vice-Chair, very simply, and this is where it becomes so difficult. If the government refuses to accept some of the recommendations, particularly upon balancing the operating side as being a subset of this, they refuse that, that tells you they will not do that, that, indeed, the motives are to prepare for what's coming. I don't know what's coming. I don't know when it's going to get here, but I do know there's not enough revenue coming in at all. So I think the government wants it both ways.

My advice, of course, is pull this bill, and if you can't do that, then at least do away with the balanced budget.

Mr. Selinger: Thank you, Mr. Manness, for your presentation tonight and some of those stories from the days that you came through.

Are you aware that we have a financial management strategy requirement in this new legislation and that one element of that is to maintain accountability for core government program expenditure and revenue?

Mr. Manness: You know, I read that term. I looked for you to define it on your second reading, and maybe you have in answers. Yet I've read through *Hansard*, and I've read of all the give and take questions. So I've been waiting for your explanation of what that term meant. Then today and tonight—or

through the middle of the night I said, I think maybe what it means—and I could be completely wrong—is that there's going to be a clearing house of offsets within the government. Part of it is going to be fitting into the plan, whatever term you use, but there's going to have to be a clearing house of all of the activities that are going on. So, if indeed, one Crown loses \$200 million and one makes, then it will be offset. But, if the Department of Health causes the operating budget to go \$200 million or \$300 million in deficit, but Workers Comp is \$300 million to the good, they'll be offset. So there's going to have to be an element of it that is going to be clearing house.

Now, you were going to give me a fuller explanation, and I welcome that.

Mr. Selinger: So I take it from your answer you are aware that that is a requirement of the new legislation.

Mr. Manness: I don't know what it means.

Madam Vice-Chair, I can say that I brought the first multiyear budget in because we never had that, and I was criticized for not clearly defining what that might be.

Mr. Selinger: Well, for your information, if you look in budget 2008, it's defined with measurable outcomes.

Mr. Manness: I did not read that budget.

Mr. Selinger: It starts on page 10, proceeds through several pages following that up to the end of page 17, and it has a number of financial management priorities and measurable outcomes that reflect whether that priority has been addressed. So I'll give you an example. The first one is transparency, accountability and fiscal discipline. The first measurable outcome is the one recommended by the Auditor General. That's summary budgeting and financial reporting. It also requires that we have a measurable outcome of balancing the summary net income. It also requires maintaining accountability for core government programs, expenditure and revenue, as you understand them.

There's another one, stable and affordable government. The measurable outcomes are what our credit ratings are, what our expenditures are as a percentage of gross domestic product and what we've done to address the unfunded pension liability.

A third measurable priority is managing debt. The measures there are—two measures there—net debt-to-GDP ratio and debt retirement. Then another

measure or priority is infrastructure and capital asset renewal, and then the specific capital improvements that have been made.

Then a final priority from financial management is performance reporting. That includes implementing key elements of an overall performance-reporting framework, including measurable outcomes for program performance as reported on by each of the departments.

I'd be happy to provide more information to you on that. I just want you to know that we've worked towards a financial management strategy that has clear priorities and measurable outcomes.

Madam Vice-Chairperson: I'm sorry, we've quite pushed our overtime here. I thank you for your presentation. You asked for five; you got eight. We agreed on five. I'm sorry.

Mr. Manness: Thank you for the indulgence of the members of the committee, and thank you for having the time.

Mr. Selinger: If our guest tonight wishes to give a comment on the point that I just made to him, I'm happy to receive it.

Mr. Manness: I would only say this, Madam Vice-Chair, and some of my friends on this side will have to disavow this statement. I think it's very dangerous for ministers of Finance, under the guise of accountability—and particularly under accountability—to try and always follow what auditors inside and outside are asking for. It's dangerous and it's counterproductive. I say on these, you have to walk your own steps, and you've got to decide what common-sense Manitobans will accept.

I was the first minister that brought in value-of-money accounting. I tried it in two departments. I know the pitfalls. I know ultimately you can't define it. I know it's subjective and it always will be. If you try to measure that, you're not going to get there. At the end of the day, I say the more variables that are subjective, that are in play, even though it's following the Auditor, even though it's an attempt to be more accountable, you just make it worse. Thank you very much.

Madam Vice-Chairperson: Thank you for your presentation.

For the information of all in attendance, it was announced earlier today in the House that, if necessary, this committee will also meet in this room on the following occasions to consider these bills:

Monday, June 2, 9 a.m. to noon; Monday, June 2, at 6 p.m.; Tuesday, June 3, at 6 p.m.

Now, we will continue with Karen Dudeck. Karen Dudeck? Karen Dudeck shall be dropped to the bottom of the list.

Randy Bialek. Randy Bialek? Randy Bialek will be dropped to the bottom of the list.

Ken Waddell. Do you have a presentation to distribute?

Mr. Ken Waddell (Private Citizen): No, Madam Vice-Chair, I do not.

Madam Vice-Chairperson: Fine, just proceed, please.

Mr. Waddell: Thank you. Madam Vice-Chair and ladies and gentlemen of the committee, thank you for the opportunity to speak to you tonight and share some thoughts.

Just so you know the background, I am a businessperson and have been in business in one manner or another since 1979, actually a little bit earlier if you count part-time farming. I have a civil service background for the first eight and a half years of my career with the Department of Agriculture. Farming for many years overlapped with an auctioneering career of some 20 years, which overlapped with the last 20 years where I've been the co-publisher with my wife of two weekly community newspapers.

* (19:30)

One of our overriding principles in our business, in our household, is that we feel that, in government, and this is governments in general, not governments of any one particular political stripe but governments in general, is that there are too few people in government who have ever had to meet payroll. The definition of a businessman and an entrepreneur is someone who doesn't have quite enough money in their account on Friday at 5 o'clock to meet payroll but makes darn sure it's there by 9 o'clock Monday morning when the bank opens. That gut-level accountability is usually missing, often missing, pardon me, in government.

Now, Bill 38 is a smokescreen bill. Once a person looks past the smoke, the cruel truth is revealed. This bill will allow this government and future governments to treat all government departments and Crown corporations as one big

financial pot. Profits from the Crowns will be used to cover off government losses on a continuing basis.

No longer will the Finance Minister have to sneak cash out of the Crown corporations. He or she will be able to take it legally. More importantly, no one will even notice. Gone are the days when Autopac will have to try and sneak money to the universities. Their surpluses may well end up there at the universities. Gone are the sneaky cash grabs at Manitoba Hydro. Departments and Crowns will be all one big, happy, slushy fund.

Manitobans want a government that will balance the books, not cook the books. Now this government could take some very proactive measures and yield larger results with less cost for the people of Manitoba. I have said in the past, and I'll say it again that given 30 days of good leadership with clearly mandated set of goals and the assistance of three or four good accountants, the Manitoba government budget costs could be cut significantly with no reduction in quality or quantity of services.

Earlier this evening, just a few moments ago, the question was raised, what does this net debt business mean? Well, I can tell you exactly what it means because on several occasions I've heard our Minister of Finance explain what net debt is. He knows what I'm going to say now because I'm sure he's one of the people in government that reads all the weekly newspapers. This is his story.

Minnedosa two years ago asked what net debt was. He says it's this way. If you own a house that's worth \$100,000 and you have a mortgage of \$90,000, you do not have a net debt. You don't have a debt. He says if you own \$100,000 house and you have a \$110,000 mortgage, you have a net debt of \$10,000. Now, I'd certainly like to meet Mr. Selinger's banker because I haven't had the fortune of being able to have that kind of treatment from my banker.

I think some enterprising young researcher in an opposition party should approach the school of economics that Mr. Selinger graduated from and ask for his marks transcript. Perhaps that might supply us with the answers as to why he's insisting on his own brand of voodoo economics.

Some of the things that we could do on a financial basis that, I think, would actually save money in the long run: If Autopac and the provincial governmental are really serious, truly serious, about reducing auto theft, and I shouldn't make the

assumption, or allow it to be made that I don't think that they are serious about it. They are but, if they'd be more serious about it, why don't they take \$5 million of Autopac money and build a new detention and rehab centre for the chronic car thieves?

The capital cost of \$5 million, at the rate of the way we destroy cars, or the car thieves destroy cars, it's about four per \$100,000, \$25,000 a vehicle. That's 40 cars per million. That's 200 cars, avoided thefts, would return you \$5 million. So the first 200 car thefts that you avoid or car destructions that you avoid would pay your capital costs. If you hired 20 staff at \$50,000 per person per year, that would cost you a million dollars. Another 40 car wrecks avoided would pay the ongoing operating costs. That may sound a little radical to you, but, if you take the car thieves off the street, detain them, rehab them, everybody saves, everybody benefits, including the car thieves.

In health care, why is this government so doctrinaire on health care? I pay for my eyeglasses. So do you. Well, not everybody pays for their eyeglasses. Some people have a program or are in a particular segment of society where that's paid for. We pay for physio. We pay for eye care. We pay for chiropractic. We pay for alternative medicine. We pay for massage therapy. We pay for some tests. In fact, 40 percent of our health-care budget, or pardon me, what's spent on health care, not the health-care budget, what's spent on health care is privately funded. Why on earth is this government so doctrinaire and so hung up on disallowing any and every initiative that comes forward where people are willing to provide health care and where people are willing to pay for it?

When pushed, people will go back and say, well, Tommy Douglas was the father of medicare, which isn't true, and I have the documented evidence in the book to prove it, but, anyway. But he certainly never intended for everything to be funded publicly, and we shouldn't either. Instead of embracing areas where medical services could be enhanced by privately provided sources, we curtail a major saving cost and industry development in this province.

There are huge inconsistencies in government programs, and health care probably leads the way, and the problem between Mr. Selinger and I is that we don't agree.

Madam Vice-Chairperson: One minute left.

Mr. Waddell: Thank you, Madam Vice-Chairperson. You see, he's a socialist and I'm an entrepreneur. Coupled with his very doctrinaire and rigid point of view, it results in a political blindness that doesn't allow innovation in government or finance.

The challenge I lay out to you tonight is take off the political blinders and grasp the task at hand, namely to make Manitoba a have province. This bill will certainly not achieve that goal. Hiding core government debt and budget deficits among the profits of the Crown corporations is like having a flower garden and the Crowns are the flowers, but, underneath, when you separate them, the debts and the problems behind it are the weeds. Thank you, Ma'am.

Madam Vice-Chairperson: Thank you, Mr. Waddell. Questions?

Mrs. Heather Stefanson (Tuxedo): Thank you very much, Mr. Waddell, for that presentation. I just have a question for you.

With respect to the size of government, it was alluded to earlier that the size of government since the NDP took office has increased the annual budget by some \$4 billion. In your opinion, does this bill open an opportunity to even further increase the size of government more rapidly?

* (19:40)

Mr. Waddell: Very much so and very stealthily. It hides the true financial picture. I know that Mr. Selinger is an honourable man. I don't question that. But the problem is that the summary statement and the budgeting becomes so onerous and so complicated on either side of this bill before it and after it that people will not engage and will not understand what's going on. When that happens, the government, basically, has free rein.

Now, Mr. Selinger can attest that I have personally attended some of his pre-budget and post-budget meetings. We've had good discussions, but the point is that we've had fewer people. We've got more people around this table tonight than we've had at some of those budget meetings. The people aren't involved. They don't understand it. They wash their hands of it. Basically, the government has free rein to do whatever they want as long as they're in a majority position. If, at election time, they can convince people that they've done a good job, of course, obviously, they get re-elected, which is the way it's supposed to be.

But the purpose of this bill makes things even more complicated for people to understand.

Mr. Ron Schuler (Springfield): Mr. Waddell, thank you very much for taking the time and coming to this committee.

I think it's very important that we, in this Legislature, don't get what is often called domehead where we actually get so caught up what's going on here, we walk out and the sun's shining and you know, who knew, right? Because we're so involved with what goes on here.

Today there's a report that—I think it's CIBC—has had a one-point-some-billion dollar write-down that they're going to have to do. There are these benchmarks in the economy, these red flags that say, warning, you know, it's not all rosy. You know what? Perhaps you could take a minute or two and reflect. What is it that you're seeing out there in the economy? Because one of the problems we have here is we believe that everything's rosy and will continue on forever. I think, well, that's probably one of the reasons why I oppose this legislation is it's based on the premise that we will have rosy numbers forever.

Perhaps you could reflect for this committee what is actually going on out in Manitoba.

Mr. Waddell: Well, in rural Manitoba, and I can't speak quite as knowledgeably, obviously, for Winnipeg, but I think I can speak reasonably knowledgeably for rural Manitoba. If we don't get a good crop this fall, the rural economy is in the tank. The hog market has dived. It's come back a little bit. The cattle market is in trouble. Some of the agriculture sectors, the very small ones, aren't doing too bad. The beekeeping industry is in trouble, but that's a very small one.

If we don't get a good crop or if the prices plummet or even draw back from the levels that they are, and they have come back quite a bit from the heady highs of January—nobody's grown much wheat in this country in January, so you can put whatever price you want on it in January—we are going to be in big trouble in rural Manitoba. I hope we're not. I certainly hope we're not, but we could be in big trouble.

I would throw this out, and maybe it's putting the cat in with the pigeons, but I think that one of the reasons the government is so hell-bent on Bill 38 is because a deficit may well hit the fan by March 31, '09. Under current legislation, Mr. Selinger and his

compatriots are going to be \$20,000 poorer under the current legislation, but not under this new legislation. I think they know what's coming.

Madam Vice-Chairperson: I'm sorry. Time has expired. Thank you very much for your presentation, Mr. Waddell.

Christine Waddell. Do you have any presentations to distribute?

Mrs. Christine Waddell (Private Citizen): It is an oral presentation, Madam Vice-Chair.

Madam Vice-Chairperson: Thank you, please proceed.

Mrs. Waddell: Thank you. You have a sweet smile when you're being sarcastic, Madam Vice-Chair.

I'm so glad, I'm so glad. Numbers are such a challenging thing. Numbers are so terribly challenging. I've noticed in my hours in the two committee rooms, that the people, and it must be due to your presence, Mr. Selinger, Mr. Minister, the numbers are much more accurate in this room on the timing of the presentations. Your chairperson is very, very diligent in keeping things to—I applaud your influence on the numerical accuracy of this committee, sir.

Thank you very much for the opportunity to speak regarding Bill 38. It is somewhat challenging to follow people like Mr. Starmer, young Mr. Martin, the very well-versed young economic student from the University of Manitoba and Mr. Manness. Of course, it is always an honour to follow after him concerning things of finance, but very intimidating is what I do find it. I can be intimidated, it may be hard to believe. Following Mr. Waddell tonight isn't quite as—I do the books at home, so we share the same chequebook but he doesn't get any cheques.

When it comes to numbers, the general public have a great deal of difficulty grasping the large numbers that you in the government have to deal with. We're not talking \$100 hydro bills and \$60 telephone bills. We're talking millions and billions of dollars for each department. So the general public has a great deal of difficulty.

Mr. Chairperson in the Chair

Now, I realize that sometimes even people in government seem to have a grasp of the relevance of the value of the dollar. When I have heard in the committee rooms, a \$1,000 incident, though shameful, many, many years ago, is brought up and

stated as being something—a \$1,000, that's one apostrophe, three zeros. But something as serious as \$75 million, or is it \$200 million concerning Crocus is not to be dealt with by the House with an investigation. We had a huge investigation over a—shameful, albeit—incident with \$1,000, but no investigation, no dealing with the real issue of \$75 million to \$200 million of taxpayers' money. Gone, just gone.

So numbers are sometimes a very hard thing to understand. We have friends who are economists and friends who study statistics, two very, very challenging topics. And averages, we're talking about four-year average on finances.

When you talk averages, I always think of statistics, and the hunter who goes out and his family's starving. Really, the only thing left—maybe he lives up near Thompson on one of those cut lines on the hydro line, and he can see the rabbits. He shoots at the rabbit. First shot, his rifle is obviously off and he misses it just by a whisker on the left-hand side. He has time and he shoots again. He overcorrected and he missed by a whisker on the right-hand side of the rabbit. By statistics, on the average, that rabbit is dead, but the family still goes hungry.

*(19:50)

Our budget could be on, on the average, but how much bleeding will go on? Waiting four years—now, by my calculations, that brings us to our supposed fixed election date, unless the Premier (Mr. Doer) should decide to call one at a different time, if the other legislation goes through concerning elections.

By my calculations, we won't have what those averaged out as, before there's another election. So how are we to judge if things have truly balanced out? So my concern is that this is flawed legislation.

The average person has trouble balancing their cheque book. They understand when the lottery numbers are 6.8 and 8.8; they know to go buy a ticket, but they really don't comprehend the size of that figure. They have no idea. We're playing with their money on a lottery that's a lot bigger than anything that our Crown corporation deals with.

I heard the term, common-sense Manitobans. Unfortunately, common sense isn't always accurate. It is statistically shown right now average Canadians, and probably Manitobans fall in that, don't have any money in savings. They're living beyond their means.

Is our government living beyond its means? Are they taking money from Manitoba Hydro? Manitoba Hydro which diligently has to plan not four years ahead, not even 10 years ahead—our Crown corporation that we wouldn't be meeting here tonight without, because it would—well, summertime, you can get away with it—we wouldn't have our sound system, our power corporation.

Our Manitoba Hydro has to plan 20 years, 25 years down the road. That's been complicated by and extended on their planning because of the fact we now have to deal more diligently with the environment, more diligently with land claims; those have to be respected. Meanwhile, money that they need for those things in their planning is being siphoned off to help balance the budget.

I understand that our Crown corporation, Manitoba Hydro, has to pay a water tax. The water that flows into the turbines and then out again, they have to pay for.

Mr. Chairperson: Excuse me, Mrs. Waddell. I apologize for interrupting you, but could you come to a conclusion since your time is expended?

Mrs. Waddell: As I said, this committee has been diligent on the timing. I was in the other committee room presenting and I know it's because Mr. Selinger and numbers are closely tied.

I will make one comment and that is that there is a difference between cash flow and profitability. You can take from one credit card to pay another credit card. You can keep the cash flowing, but you may not have a profit. It's those profits we need as a province to pay down our debt so that your children, your grandchildren, my grandchildren will not be paying off a debt that they had no part in incurring.

So I am very concerned that this balanced budget change is not for the better and that it should be laid aside for further—I think it should be laid aside entirely. Having listened to presenters who have a much-wider knowledge and deeper knowledge of economics than I do—I only balance the family cheque book; I haven't taken economics, well, first year—I've only done the books for our business for a year and a half because I had to, but my bank balance is balanced. I can reconcile my books from one month to the next, not on a four-year average.

Thank you for the opportunity to express my concerns that the average Manitoban does not understand what's happening here. I am concerned

that this challenging topic of economics could bring us to the brink of greater debt. Thank you for this opportunity, Mr. Chair.

Mr. Chairperson: Thank you for your presentation.

Mrs. Stefanson: Thank you very much, Mrs. Waddell, for your presentation this evening. You were talking about you managing the books at home and the chequebook and so on. In other words, when you're managing your own budget at home, you make sure that you balance your own budget, within your own household. It's not okay for you to live beyond your own means because that involves other consequences that occur. So, if it's not okay for you to do it, then do you believe that it's okay for government to have an opportunity to do that?

Mrs. Waddell: No, I do not believe it's right for government to live beyond its means.

There is investments. I realize that a government has to invest in the future and that might mean taking on debentures, but this rainy day fund that was spoken of earlier, was there meant to take care of some unforeseen shortfalls or disasters. I know that the economics of such a huge machine requires some controlled debt but I think overall, paying down the debt that's already there and balancing what we already have—we've been blessed to this point with such an increase in transfer funds from our federal counterpart, and now that we're the only have-not province west of New Brunswick, we are very fortunate we still have that income. It may not always be there. We've certainly experienced it where we did not have that benefit. So I think, as a province we need to continue to live within our means and keep it that way and get it that way and reduce the size of our government departments.

Not reduce the services to our people, not reduce the numbers of nurses, not reduce the people on the front lines, not reduce our caregivers, but reduce the people who aren't on the front lines dealing with needs. Increase the number of social workers, people who are dealing with people at risk. We don't need more paper shufflers, not at all, and that would be a place where we could—not by firing people, but by attrition. I'm sure there are people who wouldn't mind retiring early or retiring and getting out of this job.

Mr. Schuler: Mrs. Waddell, thank you for coming all this way and presenting to committee. We do hear a lot of experts on this topic. It's important to get the common-sense, middle-class perspective, and I think

that's what you've brought today. And least we forget, it wasn't the \$1,500 lunches but a pack of gum that actually brought down a senior official in Ottawa. Most people couldn't understand how can you spend \$1,500 on lunch. They couldn't even understand that. But the fact that the individual bought a pack of gum on their claim, that people understood. That was really what cost that official.

Unfortunately in this building we do talk about a billion here, \$200 million here, \$50 million here and we talk about it in such abstract, as if, oh, gee, I bent down and picked up \$10 million off the floor the other day. It's almost cavalier the way we talk about it.

I'd like you to reflect for a moment. We had a presenter here, a former Minister of Finance who said, in one year, had approximately between \$200 million and \$250 million cut out of his budget because of overpayments by the federal government. Could you try to reflect for us what that could possibly mean to the middle class if that happened again in Manitoba?

*(20:00)

Mr. Chairperson: Mrs. Waddell, you have about one minute to reply.

Mrs. Waddell: The numbers are so staggering. Unfortunately, if—I'm not good at quick math in my head to deal with \$200 million suddenly gone because of a clerical error in Ottawa that they overpaid us and they wanted it back. That's overwhelming. I do know that when people are short on small amounts of money, \$100, and they can't do something, it's overwhelming for them—

An Honourable Member: You have to cut here to pay there.

Mrs. Waddell: —and I really do believe that if we could just—if every Cabinet minister gave up \$20,000 of their salary, times how many Cabinet ministers, that would probably cover it or go a ways towards it, but I'm not good at all those decimal places.

Mr. Chairperson: Mr. Selinger, you have 15 seconds.

Mr. Selinger: I just wanted to thank you and your husband for your presentations tonight. I have a feeling we'll see you at further meetings in the community as we go forward and have more time to discuss these matters around balanced budgets and fiscal accountability. Thank you for your

presentation. I'm glad you're balancing the books for your own business.

Mr. Chairperson: Thank you. For information of the committee with respect to Mr. Lamoureux's request for the Clerk's office to call the people who submitted written presentations to see if they would be willing to come to a meeting in order for committee members to ask them questions, this has not been done before. Generally, people submit written submissions in lieu of making a presentation. This would require unanimous consent of the committee as this is not the usual practice. What is the will of the committee?

Mr. Lamoureux: I think that, as opposed to asking for the—well, you could always ask the will. I guess there is a chance that it might pass, but I bring it up because, you know, whether it's this year or previous committee meetings, I think it's just something that should be considered. It's the type of thing that we should bring up when we revisit the rules. It shouldn't be just automatic. You know, someone can't make the meeting so let's enter it into *Hansard*. That's the way it has been working so I just raise it and I look to you, Mr. Chairperson, as I know as a person who's interested in rules. I know the Minister of Finance has expressed interest in trying to make things a little bit more efficient so I'll leave it at that.

If you want to ask for the will of the committee, you can do that. I'm more interested in the long-term function of the committee.

Mr. Chairperson: Well, I don't really want to debate. What I'm doing is putting the question, which would require unanimous consent. So is there unanimous consent that people be phoned and asked to come only to answer questions? What is the will of the committee?

Some Honourable Members: Agreed.

Some Honourable Members: No.

Mr. Chairperson: There's no unanimous consent.

The next out-of-town presenter is Melanie Sobering. Is Melanie Sobering in the audience? Melanie Sobering. That name is dropped to the bottom of the list.

Next is Drew Ostash. Drew Ostash. Drew Ostash. That name is dropped to the bottom of the list.

Next out-of-town presenter is Nathan Peto, Brandon Chamber of Commerce. Brandon Peto.

An Honourable Member: Nathan.

Mr. Chairperson: Sorry, from Brandon, Mr. Peto. That name is dropped to the bottom of the list.

Next is Tom Crockatt. Tom Crockatt. Tom Crockatt. His name is dropped to the bottom of the list.

Gordie Dehnn. Gordie Dehnn. Gordie Dehnn's name is dropped to the bottom of the list.

Larry Oakden. Larry Oakden. Larry Oakden's name is dropped to the bottom of the list.

Cindy Vandenbossche. Cindy Vandenbossche. Cindy Vandenbossche's name is dropped to the bottom of the list.

John Sushelnitsky. John Sushelnitsky. Oh, he sent his in in printed form. Okay, thank you.

Doug Sisson. Is Doug Sisson present? Doug Sisson's name is dropped to the bottom of the list.

Pat Bowslaugh. Pat Bowslaugh. Pat Bowslaugh's name is dropped to the bottom of the list.

David McLelland. David McLelland. David McLelland's name is dropped to the bottom of the list.

Roméo Lemieux. Roméo Lemieux. Roméo Lemieux's name is dropped to the bottom of the list.

Dale Lund. Dale Lund. Dale Lund's name is dropped to the bottom of the list.

Jag Malik. Jag Malik. Jag Malik's name is dropped to the bottom of the list.

Laurena Leskiw. Laurena Leskiw. Laurena Leskiw's name is dropped to the bottom of the list.

Loris Barsanti. Loris Barsanti. Loris Barsanti's name is dropped to the bottom of the list.

Lillian Kelbart. Lillian Kelbart. Lillian Kelbart's name is dropped to the bottom of the list.

Suzanne Adkins. Suzanne Adkins. Suzanne Adkins's name is dropped to the bottom of the list.

Leslie Porteous. Leslie Porteous. Leslie Porteous' name is dropped to the bottom of the list.

Brian Paterson. Welcome Mr. Paterson. Do you have a printed copy?

Mr. Brian Paterson (Private Citizen): No, just oral.

Mr. Chairperson: That's fine. Please proceed.

Mr. Paterson: Wouldn't you know, when I got up this morning, Mr. Chairperson, I stepped on my glasses. So, if I appear to pause over my notes—

An Honourable Member: What number?

Mr. Paterson: What's that? Oh, what number. It probably won't work, Ron; it's okay. I'm okay, if I stand back a bit. You may not hear me properly, but thank you.

At any rate, Mr. Chairperson, Mr. Minister—he was here—committee members on both sides of the House, speaking as a private citizen, I would just like to say from the outset that I'm opposed to Bill 38. So, hopefully, all the points that I make here will be in that direction.

You should also know that, of course, I'm a layperson, Mr. Chairperson, when it comes to accounting terms which I will not use because I don't have them. So the language here will be pretty simple.

The present legislation, as I understand it, concerning balanced budgets, it means that the government will have to balance the books much the same as I do, or as an ordinary business does. That's what I take from it. By the way, I'm getting most of my information from the newspapers. So I haven't actually read Bill 38 per se.

My costs, as a retired person, are going up every day. I like to think that I'm speaking as an individual and I am, but I know that some of my fellow retirees, especially the—I was a teacher, by the way. I'm a retired teacher and many of the retired teachers in my position, these were what we used to call—these are people in their 70s, 80s, 90s, and we even have about 20 people over 100. It's quite amazing, but that's true.

* (20:10)

Those people were what we classed for salary purposes as class 1, class 2, class 3, back 30 years ago, 40 years ago and 50 years ago. So I hope I'm also speaking for those people, as well as myself as a private citizen.

My costs as a retiree are going up every day, and I needn't impress this upon people because all you have to do is listen to the news. You know, gas is foremost on everyone's mind, but, you know, you name it whether it's the water bill, city services, entertainment. Certainly, that's gone up as well. A coffee. I see several people walking around with coffee cups here, and I don't know whether it's Tim Hortons or not, but that's a very expensive cup of

coffee now for a retiree. More like it, it would be, it used to be Wendy's was about 75 cents a cup. I understand it's gone up now to about 85 cents. So, never mind the Tim Hortons. It's quite expensive.

Bill 38, as I understand it in newspaper articles, would move Manitoba back into accounting practices that I would call creative accounting. That's a term that I will refer to later as I speak. Remember that term, creative accounting. Now creative accounting, as I also understand it, sometimes we need people to be creative accountants.

By the way, I see Mr. Selinger just sat down. Mr. Selinger, at the hearings on Bill 37 I paid you a compliment, by the way. I respect you and respect the things that you do except for these two bills. So you know where I'm coming from.

Where was I? Oh, yes. I felt that this Bill 38 would move Manitoba back into sort of the creative accounting business. Now I say, also, that creative accounting isn't necessarily harmful, in my opinion, unless the laws that are already on the books are compromised, unless the net effect is that greater government spending will result to balance probably the income from these corporate sources that everyone has mentioned, unless the rates of corporations would be increased, which would again cost me as a retired person more money taking money from what my cost of living adjustment is now, which is not very great.

Also, if Manitoba's credit rating in borrowing would suffer, I think that would be harmful. It may suffer in the long run. I'm not sure of that.

Can private citizens handle Bill 38 long term? That's a question that I would ask.

Here are some other questions I would ask: Are Manitobans headed backwards to the future with Bill 38? Are we entering into a creative accounting that the average citizens cannot understand? Are we stretching accountability here? Shouldn't the government act in accordance with generally accepted accounting rules?

Now I just heard two people before me speak about generally accepted accounting principles, and I guess I would concur with them when they said at the end of a year you have to balance the books. I also heard, Mr. Selinger, people saying that you've done a good job up to this point, so, hopefully, you can continue that.

Will the revenues increase growth opportunities? I think that this is a question I would ask. I've often heard the Premier (Mr. Doer) and Mr. Selinger, too, speak about increasing revenues by doing things with hydro generating, at least getting, I think, hydrogen generated in our province. Projects like that. I know it costs money to do that, but I think we would be far better served to look at some growth opportunities like that in that area than we would be by trying to rejuggle the books.

Do we care what other provinces think of us? I know in my own field, which is education, I think many provinces are asking why hasn't Manitoba solved this problem? I don't consider the Sale report to be solving the problem. I think it's a step backwards. I will tell you why in a minute.

Now, my term, creative accounting. I would like to ask the government: Where was the government with their creative accounting principles when it came down to the Tim Sale report? Again, I know we're not talking about the Tim Sale report tonight. We're talking about Bill 38. But, just like Bill 37, I see Bill 38 impacting on my cost of living.

The Tim Sale report will only give us, for those of you who don't know, up to a two-thirds cost-of-living adjustment. That doesn't mean we'll get two-thirds; it means up to. Before, I think the Teachers' Pension Act said that I had access to upwards of 100 percent, if money was available. We all know that money is not available, so it has to be something less, but I would have expected my former union to negotiate as they negotiate salaries with the government—and teachers have some pretty good salaries now, I will say—but I would expect my former union to have negotiated with the government for something over 70 percent cost-of-living adjustment that myself and other retired teachers paid for.

We reckon that we've paid between \$30,000 and \$50,000; that's a guesstimate for my cost of living adjustment. That's what I've paid out money in all my working career. I'm certainly not going to get that, or anywhere close to it back with the Tim Sale report. That's unfortunate.

I think that the Tim Sale report will reduce what I paid for over 38 years of my working life. It's going to be a reduction, not an increase, and that's where I would have liked to have seen the government get more creative.

How could they have gotten more creative? Creative accounting? I certainly think that they could have listened to some other ideas. I think the Tim Sale report—the main principle, by the way, was our organization's idea; it was not the government's. It was our idea; the better of interest increase was our idea.

The members of the Pension Task Force Committee, as I understand it, would have actually bogged down and had no report, had it now been for that main idea of retired teachers.

Mr. Chairperson: Excuse me, Mr. Paterson. Can you quickly come to a conclusion?

Mr. Paterson: Yes, I will. How much time have I got left?

Mr. Chairperson: You're now into overtime.

Mr. Paterson: Oh, sorry. All right, so I would have liked to have seen Mr. Selinger, the government, be more creative. I'm sure that this Bill 38 that—I would have liked to have seen you, actually, become the Minister of Education. I think Mr. Bjornson dropped the ball with the Tim Sale report. I would have liked to have seen you in there because I know that you would have come up with something much more creative, had many more options for us to consider than just that one.

So I'm not for the Bill 38 for the reasons I've previously expressed. I thank you very much.

Mr. Chairperson: Thank you for your presentation.

Mr. Schuler: Thank you very much for your presentation and, again, everybody that comes in front of this committee tends to bring a different angle, a different approach, different life experience, and that is very important.

Thank you for bringing us back to the fact that there are retirees, men and women who live on a pension, who are now forced to live on a pension and, with the spiralling costs—for instance, you mentioned gasoline, whether it's natural gas or gasoline for our vehicles—and, yet, the same kind of increases don't apply to your pension.

I'll bring us back to Bill 38. It's a question I asked one of the other presenters: Should the provincial government be faced with a \$200 or \$250 million cut in one year to the budget, what do you think that would impact—for instance, you, who's on a fixed income, a retiree who, to be political for a moment, who has been betrayed by his provincial

government when it comes to COLA? How will that impact you? What does that mean for you and those you represent?

Madam Vice-Chairperson in the Chair

Madam Vice-Chairperson: I have to recognize you before you stand.

Mr. Paterson: Thank you. I'm sorry, I didn't defer to you.

* (20:20)

Madam Vice-Chairperson: It's all right.

Mr. Paterson: I would just have to cut back my activities. I would have to cut back the coffee I drink, as already mentioned. I'd have to cut back the trips to Winnipeg, maybe the trips to the lake. I would certainly have to cut back the trips to out of the country in the wintertime when it gets cold. I look forward to going there with my increased COLA. I'd have to cut that back, quite simply. So would the government, as I expect the government to act as I would act, balance the budget?

Madam Vice-Chairperson: Mr.—[interjection]—Fauschou. It's late.

Mr. David Fauschou (Portage la Prairie): Honourable Member for Portage la Prairie.

Madam Vice-Chairperson: I recognized you.

Mr. Fauschou: Mr. Patterson, I do appreciate—just your feelings—we all understand and appreciate your vocational and contribution to our society.

Mr. Chairperson in the Chair

What is your reaction to an increase in hydro rates or an increase in your MPI rates if the budget of the provincial government did fall short and this legislation was in place that relied upon those Crown entities to effectively come up with a positive bottom line?

Mr. Patterson: Yes, Mr. Chairman, might I answer that question? If it's under the new Bill 38, to me, that's added revenue on one side—am I correct in saying that? So, if there's a shortfall from the hydro, they would probably have to increase rates to make it up, so they balance. Under today's legislation, as it is, I think if there is a shortfall in hydro, it doesn't rain or the water levels aren't up or whatever the case may be, they can generate less electricity, then they have to raise the rates. I understand that, but we wouldn't want rates raised under the bill sort of in an

artificial manner, if you know what I mean. So that's my answer to that question.

Mr. Borotsik: Thank you, Mr. Patterson, for sticking around Winnipeg for this evening. I know you want to get back and I don't blame you, so would I. It's a beautiful community.

The provincial government last year, budget to budget, increased its expenses and that's everything, that's everything from health care to education, even. They increased their expenses by 6.2 percent, budget to budget. We recognize that costs are going up but that was even prior to the increase in gas the way it's been going. Did your pension go up anywhere near 6.2 percent?

Mr. Patterson: Absolutely not—

Mr. Chairperson: Mr. Patterson.

Mr. Patterson: Sorry, I keep on forgetting that—and I see a gentlemen there where a lady was sitting just a moment ago. Sorry about that, Mr. Chairperson. May I answer?

Mr. Chairperson: Yes, please go ahead.

Mr. Patterson: Well as everybody knows, if you've been following the newspapers, my pension cost of living adjustment didn't go up anywhere near that—

An Honourable Member: Point zero zero six.

Mr. Patterson: —.006, exactly. Now, under the new Sale report, it's supposed to double that, but even this year I don't think they can meet the two thirds of 67 percent. They can only get up to about 55 percent so, you know, and I'm not really thinking of myself when I'm saying this. I'm thinking about the class 1, 2s and 3s.

You know, I go back to the option I say of creative options. How about increasing active teachers, giving them two thirds or less, because that's what they want. How about giving we retirees, who won't be here for, who knows, between, maybe the next 10 years a lot of us will be gone, how about giving us somewhere between 70 and 100? How about that? Which I paid for, by the way. I don't want a handout, I'm sorry. I don't want a handout.

Mr. Chairperson: Time for questions has expired. Thank you, Mr. Patterson.

The next out-of-town presenter is Linda Ward. Linda Ward. *[interjection]* Oh, I'm sorry, I missed one.

The next one is Ray Sitter. Is Ray Sitter here? Ray Sitter's name is dropped to the bottom of the list.

Next is Linda Ward. Linda Ward? Linda Ward's name is dropped to the bottom of the list.

Deanna Dolff. Deanna Dolff? Deanna Dolff's name is dropped to the bottom of the list.

Next is, well, we have a written submission from Beverley Ranson.

Next is Nelson Dolff. Nelson Dolff. Nelson Dolff's name is dropped to the bottom of the list.

Next is Art Oscar. Art Oscar. Art Oscar's name is dropped to the bottom of the list.

Next is Dianne Lambert. Dianne Lambert. Dianne Lambert's name is dropped to the bottom of the list.

Jack Penner. Jack Penner. Jack Penner's name is dropped to the bottom of the list.

Cliff Zarecki. Cliff Zarecki. Cliff Zarecki's name is dropped to the bottom of the list.

William Backman. William Backman. William Backman's name is dropped to the bottom of the list.

Elaine Henbotte. Elaine Henbotte.

Mr. Borotsik: When you are finished with Elaine Henbotte, I have a question.

Mr. Chairperson: Elaine Henbotte's name is dropped to the bottom of the list.

Mr. Borotsik: Mr. Chairperson, if I could please, the next one that you're going to call is Mr. Gates and he's here, but there's another one just before that, Mr. Glen Cummings. He is registered as an out-of-towner, and, unfortunately, it hasn't been identified as that. I wonder if I could have leave of the committee to have Mr. Glen Cummings present.

Mr. Chairperson: You don't need leave. I'm glad you pointed that out to me. We do know that he's out-of-town and that he did register, so we'll call Mr. Glen Cummings.

Mr. Borotsik: Thank you.

Mr. Chairperson: A familiar face.

Mr. Faurschou: Mr. Chair, I don't believe we can continue with committee unless there's a minister of the Crown occupying the Chair.

Mr. Chairperson: Good point. A minister is now taking the Chair.

Do you have a written submission, Mr. Cummings?

Mr. Glen Cummings (Private Citizen): No, I don't.

Mr. Chairperson: Please proceed.

Mr. Cummings: Well, thank you and I appreciate the opportunity to present to the committee on balanced legislation, balanced budget legislation. I believe that you've probably heard a very compelling presentation earlier from my former colleague Mr. Manness. One of the reasons that I feel compelled to be here tonight is because I also was one of the few people who were still in the Legislature who went through that period of time when bringing balanced budget legislation into being was very necessary and very difficult.

One of the things that I believe is happening with this legislation is it's far too easy to acknowledge the requirement of GAAP and to slip in this type of legislation under the guise of meeting the requirements of GAAP.

What we need to remember is this also allows government to run deficits, which is not the same as balancing its books on an operating budget basis. It leaves the door open to kind of abuses that have occurred in this province and in many generations over the years.

I must admit that I came to the conclusion that, after seeing the problems that can arise from significant deficit-financing, governments need some regulatory responsibility that they must adhere to. I became exposed to balanced budget legislation that some of the states were using. As I looked at it and looked at some of the various aspects of that and others, I began to appreciate the fact that Manitoba, if we worked—we, collectively, the people of this province—together to manage the affairs of the province, we could achieve balanced budget and that we could start to get our affairs under control.

* (20:30)

One of the things that becomes very evident when you have an unbalanced budget, or when you have continuous and ongoing deficits is that it's very easy, with unforeseen issues arising, to lose control of your budget. Well, a \$600-million deficit regularly is a sweet cushion. If that starts to accumulate and the interest must be paid, it is no different than any other budget. Eventually, the bankers want their interest. When government revenues can swell and shrink—and we've come through some very buoyant

times in recent years. I think we all are appreciative of that—but to now take the bold or the dangerous or any negative adjective that one could add, because, while it might be bold, it is absolutely foolhardy to walk away from the efforts of Manitobans to balance and live within balanced operating budgets in this province. The benefits have been reaped time and time again in the stability, in money that's available for programs, in the rigor that it puts forward for ministers and for governments of whatever stripe to know in advance what standard they have to make in order to achieve a balanced budget.

It seems to me that either there are issues at play that this government is not willing to share with the public, or the government believes that most of the public will not understand or care about whether or not budgets are balanced, especially when we can now, if this legislation should be put in place, we can now point to a balanced budget according to the conditions of the legislation, when, in truth, the operating budgets may well not be meeting their requirement of being balanced and living by the standards that are imposed with the budget being put in place. Only by establishing that rigor, in my opinion, will future governments and this government—and I'm not here to attack any particular government so much as I'm here to defend the principle and the absolute necessity of keeping a rigorous balanced budget legislation in place. That can very easily lead to a criticism of this government if they intend to put forward and put in place this type of legislation.

One of the most concerning parts of this legislation is to read that it was deemed to have come in force on March 31. I just saw a sheet that shows the introduction of bills. It wasn't introduced until later. What kind of management does that signal? What intentions might that signal? I don't know, but it certainly raises to me the spectre of a government that either believes or wants to run a deficit. Running a \$600-million annual deficit very quickly leads to multi-billion dollar debt that has to be paid, or refinanced and repaid.

It's nice to be able to point to an A or AAA or A-minus rating, but those ratings come, very often, late in the game, just as they are, very often, not ahead of a government when the rating is going up. My experience, and it's somewhat limited, but my experience is that it's not necessarily accurately reflecting the conditions that a government is operating under and what may be the result of

careless, reckless or completely mismanaged problems within government.

What the people of Manitoba were faced with in the late '80s and the early '90s, Mr. Chairperson, and I know that no one around this table needs a history lesson, but, if we don't recognize what happened during that period of time leading up to being able to put in place balanced budget legislation, the wild swings in transfer payments—the analogy for now is that this government has achieved and is receiving massive amounts of transfer payments. I'm not suggesting whether they are entitled, not entitled. Obviously, according to the current state of the economics of the provinces across Canada, we certainly are entitled to our share. That is not the issue.

The concern is whether or not there is a prediction out there that these monies will be changing, whether or not these monies will be available or whether they will, in fact, shrink. The reduction of—to give you an example of what can happen to government when it's in debt and has very little flexibility and its revenues are not growing, if the transfer payments go down, are you going to start reducing or are you going to backfill?

A perfect analogy, I believe, a perfect storm almost, was when Manitoba Health budgets were held, but because they were held, it was seen to almost everyone to be a reduction because the departments, all of the departments, were used to a 3 percent, a 5 percent, a 6 percent annual increase. If you don't get that 6 percent annual increase, all of a sudden—and you're counting on it—all of a sudden you believe that you've had a 6 percent cutback and the effects are dramatic. I don't want to dwell on those types of examples so much as I want to get your attention to think about the bigger picture. If we are opening up through this bill the opportunity to increase deficit financing or to run a deficit in this province, we are going back by at least two decades in terms of whether or not we have responsible government.

A lot of people might say, well, there's always that story about what happened in the good old days. This has nothing to do with the good old days; it's about what's going to happen as we see the economy of this country evolve. Whether or not the transfer payments will keep up, that's only one aspect. If the transfer of payments even hold and there continues to be a growth of expenditures for government, and that's almost inevitably predictable, where's the

growth and revenue going to be? The biggest growth and revenue—and I'm not here to lecture the minister; he knows these numbers better than I do— but it's the ratio and the relevance of whether or not there's alternative revenue coming in to offset what might be future stagnant transfer payments. That relates directly to what happens as a result of changing this legislation.

Mr. Chairperson: Mr. Cummings, excuse me. I know you're accustomed to 30-minute time limits.

Mr. Cummings: Actually, 40.

Mr. Chairperson: It used to be 40, but I'd like you to come quickly to a conclusion. Thank you.

Mr. Cummings: Thank you. Am I close to my 10 minutes? Time flies when you're having fun.

Mr. Chairman, I do raise a red flag regarding this change, and it's as simple as whether or not we can maintain balanced legislation in the true sense of balancing operating budgets without going into deficit, and it has nothing to do with GAAP. I think that most people around this table represent the feeling that GAAP needs to be in place, and I'll leave my comments there and look forward to questions.

Mr. Borotsik: Thank you, Mr. Cummings, for a very experienced presentation. I do appreciate it and we're going to give you a little bit more time—*[interjection]*—not at all.

You lived through some fairly tough times, and you mentioned that with respect to the equalization payments and the interest payments and all the rest of it. The rationale for this bill is that it has to comply with GAAP. You were involved in the original balanced budget legislation. Do you believe that you could amend the original balanced budget legislation to comply with GAAP yet still have what we refer to as a balanced core budget?

* (20:40)

Mr. Cummings: Yes, and I would leave the creation of the legislative framework to those who know what they're doing. But my feeling is that, when the proper intent is transmitted who are writing legislation, they can write a bill that will reflect that intent, that intent being the direction of the government. This bill seems to be written in such a way that it's purposely loose in areas that I consider shouldn't be left loose and will, undoubtedly, leave—I am not here to offend the current Minister of Finance (Mr. Selinger), but I want to say that if he manages within this and does not create a deficit, fine. But what's to stop future

Finance ministers or future governments from doing that? You are creating a framework that takes away all the work that the people of this province did.

Work is the wrong term—sacrifice, pain and, frankly, anguish that it took to control the spending enough to be able to start paying the debt down and reduce the interest cost, which is ultimately what will destroy the opportunity of any government to maintain a moderate tax level.

Mr. McFadyen: Thank you very much, Mr. Cummings. I came in just for the last few minutes of the presentation, but I've had the pleasure to listen to your last couple of responses. I wonder if you could comment as the minister of a line department in government during the 1990s when federal transfer payments were reduced in excess of \$200 million in 1995, and at a time when national economic growth was relatively low so that own-source revenues were growing at a slower rate than they are today.

Outline some of the challenges of being a minister in that environment as you attempt to balance the budget and deal with reduced revenues. I think the reason I am asking you to do that it to try to sound a cautionary note to encourage all of us as legislators to not have to go back to that kind of a fiscal environment.

Mr. Cummings: Well, on the bigger picture, there was wage freeze—rollback, actually. We ended up with Filmon Family Fridays. That was the nice thing of what they called them. Frankly, that was an example of where we asked all employees to take a reduced paycheque. The trade-off was that they got some extra time off. It was the payroll, and the Minister of Finance and I know many people around this table know that 80 percent of the budget is very, very difficult to control, 20 percent, generally, and that is rule of thumb. This is not rocket science, but 20 percent becomes the part where there's flexibility.

In the line department, well, I had a small department, which made it easy. It was a department that was not driven by volume. Those that are driven by volume like Family Services and Health and, to some extent, Education, it's just about impossible to control. Many of the other departments in government were cannibalized in order to keep those departments going.

Natural Resources, I've said it on the record, and participated in it, was cannibalized in order to have enough money in the budget to keep health care,

education and social services going. That's a small example.

I can give you a specific example. A small department with 150 to 160 people in it had a policy branch of 10 people gone. That's not as cruel as it sounds because we were able to manage vacancies enough to find other positions for those people, but at the same time the federal government came out with a grand plan where they were going to reduce their civil service expenditures by 12 percent. That was exactly what was happening here; only it was happening sooner.

It's not meant to be a scare tactic to talk about the fact that the civil service is impacted. They are the deliverers of the program. If you can't maintain a good civil service, you can't maintain the program the way you'd like to and, therefore, everybody suffers, including the program. There are myriad of examples that would help demonstrate that.

The fact is you talk about a cutback in transfer payments. If you don't find the money to backfill that loss, really what you are doing is doubling it, because you've lost the income and you have got to come up with another quarter of a million to backfill. My estimation is that, in the early '90s, when we had a \$5-billion to \$6-billion budget, between backfilling and adding that with the cuts we suffered over a period of three to four years, we lost a billion dollars. That's 20 percent of the budget.

Mr. Chairperson: The time for questions has more than expired. Thank you, Mr. Cummings.

The next presenter is Trevor Gates, Mr. Trevor Gates. Do you have a written presentation, sir?

Mr. Trevor Gates (Private Citizen): No, I don't.

Mr. Chairperson: Okay. Please proceed.

Mr. Gates: Thank you, Mr. Chair. I just want to double check to make sure it was Mr. Chair so I don't get that wrong. Somebody did that before, so.

I drove here from Rivers on Tuesday to talk about Bill 37 and last night I spoke about a couple bills, but I really stayed so I could talk about this bill and tell you one personal story.

I'd ask that—I watch people a lot. I have a lot of employees and I've run a lot of companies and it really seemed that the Honourable Mr. Chomiak and the honourable Premier (Mr. Doer), when I spoke on Bill 37, really seemed to listen to me. I appreciated that very much. Their comments afterwards, they

really made me feel that it was worth me staying here to do this, even though it doesn't seem as important to everybody, it sure seemed important to some and I really appreciate that. I'm not saying that anybody on the government thinks it's taking too long—I'm sure some do, but I think a lot of good points have come out and I'd like to make a few here today.

I'm 36 years old, even though I look 100. I have the type of varied experience that can only come from northern living. I grew up in the Yukon and Northwest Territories. I've, in my work history, been responsible and accountable to a chief-in-council, to a mayor-in-council. I've had to account to provincial governments, territorial governments, and federal governments. I've budgeted a lot.

I own two companies with staff from six different Manitoba communities, and in all of these places, I've had to budget, and budgeting as a—the letters from my accountant, the nine-page letter they make me sign that says they're not responsible for anything in the report that they're giving me, or the 11-page letter that the other accountant had for all the stuff that they're not responsible for, budgeting is pretty simple. No matter what the accountants try to add into it—not that there's anything wrong with accountants—but it isn't confusing. It's simple.

A financial management strategy, as you've got in your bill, is a budget. A financial management strategy is a budget. It's not complicated. What is a financial management strategy? It is revenue, expenses, bottom line. One year of government revenue, one year of government expenses, simple. One year of Crown corp A's revenue, one year of Crown corp A's expenses, bottom line. It's the way every company does business. It's the way every government should do business.

Crown corporations need to be kept separate, and it's the only way that anybody can actually effect change and plan properly. I think, if you use a four-year strategy, a financial management strategy with a four-year blending of statements, if one year was a fog it would reduce visibility. With four years, you would close the highways. You can't see through four years of financial blending and really get any useful results.

Looking back three years isn't going to help you very much. You need to look ahead. You need to plan, and you need to make sure that you're doing the best you can each year and try and do better next year. Nobody would do this in business. No

accountant will guarantee a statement. These are hard enough to understand even when they're simple. Rules need to be clear just to keep it blurry. It's the only way anything's going to make sense with financial management.

* (20:50)

I do believe that balanced budgets are just talk. I don't think that anybody can—you can say you're going to balance a budget. I think that there are a lot of great things in the child welfare bills that have been written, but a lot of actions haven't been taken and there have been a lot of problems. I think everybody would like that to work better, and I really think that balanced budgets are the same thing, where it's written down that it's going to be balanced, but it's going to come out the way it's going to come out. So I don't really think it helps a lot to say that we're going to balance the budget, because we're going to do the best we can. I think every government should just admit that and quit saying that they're going to balance the budget, even though it's not popular to say I'm not going to balance the budget; just balance it anyway without a bill that says it. That's what we do in companies. You know, if we overspend, we get in trouble; we're either going out of business or we're going to the bank.

The other section of the bill that bothered me, a Cabinet minister's pay will be reduced by 40 percent, 20 percent, depending on how they've performed with their budget, and I just found this confusing. Apparently it's from the 1995 bill that the PC Party brought out and it's just been copied, and I think you had a chance for leadership here. I don't care how much a Cabinet minister makes; I don't care if their pay gets doubled or halved. If they perform well and they're within their budget, then the Premier should keep them on. They serve at the pleasure of the Premier, and if you can't budget or you can't execute, then he should fire you, and it should be—can't be like, you know what? You really messed up last year; you blew, like, double your budget, so that's it. Your pay's going down 40 percent. That's crazy. You fire the person. That's what you do with people that are incompetent or can't execute. I really think that that should have been done—I think that could have been done better.

The last thing I have is that the one thing that seems to hamstring the government the most is the—and what is probably very popular with everybody, again, just like the word balanced budget—is we're not going to raise taxes without a referendum;

freezing tuitions. All these things reduce options, and they sound nice and everybody likes them. But things cost what they cost and nobody's going to—I hope nobody's going to look at some hungry kid and not feed him because they hit their budget.

You're going to have to reach into the bank and do something, so, if you need a new tax, you should be able to propose that to people and you should be able to propose why you want it and put it through as a government and vote on it with your majority and put it through. If you think it's necessary, then stand behind it. Rather than saying, we're not going to do it, and don't worry, everybody; you can vote for us because we're not going to raise your taxes, because if you need money, you are.

Just like PST was added to legal bills and accounting bills, and it wasn't when I first came to Manitoba. I'd never lived anywhere with PST in my life and it shocked me when I bought my first business and they told me I had to pay PST on all the used equipment, and I'm arguing with them if the toilet was equipment or part of the building, because if it's part of the building, you don't have to pay PST on it, like the shelves and tills and the—well, not the doors, because they were attached, like the toilet. I won that argument. But you're actually down to that stuff where you're fighting over this and it doesn't help business.

I know that the goal—nobody's worried about the poor businessman; it's not a popular story to sell, but PST is hurting businesses, and it slows us down, and I had a very—my wife always tells me not to say things that I think, sometimes, but I wrote it down, even, so I've thought about it, so—

The year before last, my companies both struggled. I lost a lot of money, more than I started my companies with, and it was very hard. My wife was driving back from Thanksgiving; my kids were in the back of the minivan; she was calling me from her cellphone to say that she took the wrong turn after Saskatoon and she was driving through Dauphin instead of going to Brandon, which adds another hour plus onto the drive. The kids were crying and everybody at her aunt's was asking why I wasn't there. And I didn't go for Thanksgiving because I had to stay because I was worried about making my payroll and it's another two weeks, and I need twenty-five or thirty thousand bucks.

You know, Ken's right. You write the cheques for Friday, but they come out on Monday and that money's got to be in the bank, and it's scary. It was

two weeks before Christmas and my compressor broke for the—it's called a coffin freezer; it's a 20-foot freezer. In a grocery store, if you don't sell it before Christmas, you're keeping it till next Christmas. Nobody wants the rum raisin ice cream on Boxing Day. I don't know why. I gotta sell it before Christmas, and my freezer's broken and every compressor I've ever bought has been between \$2,000 and \$5,000. This one is \$7,000, which bugged me. I really thought I was getting, an expletive here, from the guy because I had never seen one cost this much. I'm looking at the bill and it's got \$490 in PST on top of the compressor. It really hit me then because I was really hurting for money.

I had just paid my hydro bill, \$140 in PST. I have another store. I just paid its hydro bill, \$130—some in PST. I just paid my phone bills and, if you come up with a creative solution for what that tax is doing to me that I can't say out loud, you can't do it because you've written a referendum here that says no matter how great her idea is, we have to wait until we can have a referendum to do it because it might be a new tax, even though you added a new tax on when you added the tax on to accountants and legal bills. It doesn't help me.

If you harmonize GST and PST you could save a lot of money. You could reduce staff. It would make sense. My accountant told me, and I kid you not, if they come to check on PST, just pull out your chequebook because I can't defend you. The act doesn't make any sense. They can say whatever they want and there's nothing you can do about it. It's understandable. It has been added to every year, every year, and every government has added to this. It just doesn't seem fair to me.

GST nets out. I get it back. At the end of every month, I write two cheques to PST and they add up to about \$9,000 per month. At the end of three months, for both stores, I might have a few hundred dollars that I write a cheque for because it all works out. I can't collect that PST for you unless I can meet that payroll. I really think that this act, it doesn't seem based on doing anything new. It doesn't seem to help.

That's all I had to say. I'm sorry if I've gone over my

Mr. Chairperson: Mr. Gates, you need to come to a conclusion, please.

Mr. Gates: C'est bon.

Mr. Borotsik: Thank you, Mr. Chairman. Thank you, Mr. Gates, for that very compelling presentation that you made. For your information, for the provincial government's revenue, PST is the third-largest revenue centre that the provincial government has. The largest revenue centre is personal income tax, and I don't expect you pay any of that, do you?

Mr. Gates: Yes, I pay the personal income tax, and my wife does. As your favourite lawyers would tell you, my corporation is legally a person and it pays its personal income tax if it makes a profit too.

Mr. Borotsik: Thank you, I was being a bit facetious, but you do pay personal income tax, as does your wife, which are also the highest taxes in western Canada, but I wouldn't necessarily have to go there to tell you that. You probably know that already. The third-largest revenue centre that the Province has is provincial sales tax. It's at 7 percent, as you are well aware, and I don't think that the provincial sales tax is going to be decreased at any time soon. I think the 7 percent is here to stay for awhile for a number of reasons. But, certainly, it's the third-largest revenue centre, and your provincial sales tax will be continued to be collected on behalf of the Province. I just thought that I'd mention that to you as a piece of information.

As a private business person and, by the way, I don't think there are many of us around the table who have had to meet payroll. Some of us have. Meeting a payroll is probably one of the most difficult things to do. I learned a long time ago that staff gets paid before the owner of the business, and I know that you would share that philosophy with me.

But, as a small businessman here in the province of Manitoba, you have to look at your balance sheet on an annual basis, and, if it's red at the bottom of it, that's not good. If it's black at the bottom of it, that's better.

How would you like to have a four-year rolling average? How would you like to lose money three years in a row with the understanding that you have to make money in the fourth year to balance the budget over the last four-year rolling average? Would you be in business very long?

* (21:00)

Mr. Gates: It doesn't help anything to put it over four years. It helps the government because balanced budgets, they are just words. Sometimes the government needs to overspend, I think, even though people don't want to say it. But I think the

government's looking for a solution, going: Okay, we're going to have to spend a bit of money this year, but we're going to go over budget. It's going to be really unpopular. The only way we can make this make sense, we'll take it like a mortgage, and we'll get a four-year mortgage. There's another election date there, and the next government's going to have that four-year mortgage, and the next government's going to that four-year mortgage.

I disagree with Ken Waddell a lot. I like Ken a lot, but I disagree with Ken a lot. He's probably behind me right now. I just want to hug him. He said something that really interested me. He said cement and bills are a lot alike. Once they get put down, it takes a long time before they get moved. I just think it made a lot sense. You know, when is this bill going to get changed? The NDP didn't like it in '95 and they kept it this long. It's really going to be there a long time. This type of four-year mortgaging, I understand the idea of mortgaging, but just be honest and say, look, we're going to go over by \$300,000 because Brandon University or University of Winnipeg has too many asbestos warning signs in it and we need to get the asbestos out of the building.

If you have to reach into the coffers to fix a problem, then just tell people that and face the consequences. I'm sure the opposition will say that you've overspent and you're going to have to go to people and say we had a reason to overspend. But don't tell them, hey, we didn't overspend. Look four years from now. It just doesn't make sense to me. I don't think it's fair. I really think that there are good things that could be done with this.

I'm glad it's not finished yet, and thank you.

Mr. Selinger: I just want to thank you for your presentation. I see a lot of common sense in some of your views that you've expressed tonight, and I was very impressed by the fact that you didn't get into picking sides. You just stuck to what you thought made sense, and you put your views on the record. I appreciate that.

Mr. Chairperson: Mr. Borotsik, for a short question or a comment.

Mr. Borotsik: Well, it was more just an echoing of the minister's. You did make an awful lot of common sense. Sometimes economists and sometimes accountants, particularly accountants, look at things a lot differently where they have to come up with a situation where they can understand it in columns, but they don't understand the real world components

to it. There's an old farm saying: you can get to the wheat through the chaff—separate the wheat from the chaff. I appreciate that, Mr. Gates, for all of your time being here, and have an enjoyable trip back to Rivers. Good luck in your business.

Mr. Gates: Thank you.

Mr. Chairperson: Thank you. The next out-of-town presenter is Bruce Dwornick. Bruce Dwornick. Bruce Dwornick's name drops to the bottom of the list.

Next is Dave Henderson. Dave Henderson. Dave Henderson's name is dropped to the bottom of the list.

Valerie Schtain-White. Valerie Schtain-White. Valerie Schtain-White's name is dropped to the bottom of the list.

Brad Dowler. Brad Dowler. Brad Dowler's name is dropped to the bottom of the list.

Brad Zander. Is Brad Zander here? Brad Zander's name is dropped to the bottom of the list.

We'll now start at the top again. We'll now start at the top again with in-town presenters, beginning with Colin Craig, Canadian Taxpayers Federation.

Do you have a written presentation?

Mr. Colin Craig (Canadian Taxpayers Federation): No, I don't.

Mr. Chairperson: That's fine. Proceed

Mr. Craig: Well, good evening, and thank you for the opportunity to speak here today. My name is Colin Craig and I'm the provincial director for the Canadian Taxpayers Federation. As many of you know, the Canadian Taxpayers Federation is a not-for-profit, non-partisan, advocacy organization that is committed to lower taxes, less waste and more accountability in government. As some of you in the room may know, the balanced budget legislation that was passed in 1995 is close to the hearts of this organization.

If we think back to 1995, we were one of the few organizations that actively supported the passage of balanced budget legislation. When virtually all of the big unions, the New Democratic Party and other special interests groups were fighting the legislation with all they could, the Canadian Taxpayers Federation stood by the policy.

Now, it's a shame that this process doesn't allow for video presentations, as I brought a videotape

from 1995 that shows two advertisements that the Canadian Taxpayers Federation ran in support of the policy during the election, one of which features a baby sitting in a sandbox that is full of money. In the background is a sign that shows how much debt the child inherited upon birth. As the government continues to spend beyond its means, the baby eventually sinks into the sandbox. It's been consumed by debt.

It's a pretty morbid thought but, ladies and gentlemen, once again, Manitobans could be faced with that situation as a result of this bill. The balanced budget legislation that was passed in 1995 ensured social justice. Newborn children should not have to inherit the debts from previously mismanaged governments. In fact, the 1995 legislation was such a positive piece of public policy that the Canadian Taxpayers Federation held it up as a role model when pushing for balanced budget legislation in other provinces.

Now, we all know the NDP fought against the balanced budget legislation. The Premier (Mr. Doer) called it a cynical pre-election ploy. Former minister, Tim Sale, said, and I quote: balancing a budget every year cannot be defended on any economic grounds.

But perhaps my favourite quote came from the Chair, Mr. Martindale, who noted that one of the most odious parts of this bill is that it hamstring future governments. Ladies and gentlemen, balanced budget legislation should ensure that previous governments cannot spend beyond their means. Future governments should not have to pay for the financial mismanagement from previous governments.

I think we're paying your salary to listen here today, right?

Newborn children should also not have to pay for the mistakes of previous governments. In spite of originally fighting balanced budget legislation I'm glad that the government has backed off their initial disgust for the policy. In fact, the Premier and members of the caucus are no longer decrying the balanced budget legislation act as something which cannot work. Rather, they are now boasting about their nine consecutive balanced budgets.

Since the previous government introduced the balanced budget legislation in 1995, the Liberals and the New Democratic Party have come to applaud the practice of balancing the operating budget each year, and that's a good thing. Doing such is the right thing

to do. As we implement GAAP, we need that practice to continue. Fortunately, it can. All the Legislature has to do is make an amendment to this bill.

The Canadian Taxpayers Federation recommends that an amendment be made to ensure that the provincial government balances its operating budget each and every year. What I can't figure out is, if all the parties have supported the requirement to balance the operating budget in the past, why would we change it now? Such a requirement is supported by the Winnipeg Chamber of Commerce, Manitoba Chambers of Commerce, the Canadian Federation of Independent Business, many other groups. Just as the NDP has done a 180-degree turn for the better on the issue of balanced budget legislation, I hope that our brothers and sisters in the upper echelons of the province's big unions will join us in supporting such an amendment. After all, balanced budget legislation is about social justice and fairness.

* (21:10)

Let's consider what happens if this bill isn't amended. It's called Pawley déjà vu. In just a short period in the 1980s, Howard Pawley did what just about no other politician in the history of this country had done. He took a debt that had taken about 100 years to accumulate and he tripled it in just six short years in office. That is why our debt and our debt servicing costs are so high today.

As drafted, the unbalanced legislation before us will allow the provincial government to repeat what happened in the 1980s. Despite appearing to be balanced, the operating budget can run a deficit and the province's core debt can increase. Thus, we'll all have to pay for it through our hydro rates, our MPI fees, or through our taxes. We can't let that happen again.

Something that needs tweaking is the ability of the government to take money from Crown corporations as it wishes. In 2000, there was an attempt to use \$20 million of MPI funds for university infrastructure. Then, in 2002, the Manitoba government raided, pardon me, Manitoba Hydro was raided for \$203 million. This maneuver actually forced Manitoba Hydro to go out and borrow money. Another example was the government's recent directive to Crown corporations to sponsor the human rights museum.

The constant raiding of Crown corporations cannot continue. Motorists pay their MPI fees to be

insured while they drive, period. An amendment should be introduced to protect MPI surpluses from being used for any government's pet project of the day. Further, ensuring the operating budget is balanced will not allow any governments to balance its books off the backs of MPI premiums.

Given Manitoba Hydro's ballooning debt, the provincial government should not be able to take dividends whenever it wants to balance its operating budget on the backs of Hydro users. Pardon me. Given that Hydro's debt is now larger than the provincial government's debt, Manitoba Hydro needs to get serious about paying down its own debt. Of course, that will be hard to do as its new transmission line, Bipole III, takes a scenic trip around the west side of Lake Winnipeg. Finally, if balanced budget legislation gets watered down, penalties for politicians should stiffen. If the operating budget is not balanced, 100 percent of their Cabinet salaries should be removed.

In conclusion, the Canadian Taxpayers Federation supports the implementation of GAAP and summary budgeting, but it must be coupled with the continuation of balanced operating budgets. Further, amendments need to be made to ensure that Crown corporations cannot be raided at the whim of the government. At this point, I'd like to read a couple of the comments that have come in to the Canadian Taxpayers Federation. These are from supporters and members of the public at large.

Mr. Kent Winning from Morden, Manitoba, wrote, was this bill drafted—oh, pardon me. This is the worst idea of them all, Bill 38. MPI and Manitoba Hydro are expected to perform like private-sector companies, and like most private-sector companies, they are exposed to market cycles that are influenced by factors far outside of their control. Just because they are very profitable and have money in the bank this year, there's no guarantee of their profitability next year or even the next quarter.

This bill would see the politicians drain the cash off, and when their corporation hits a soft spot or downturn, they'll be forced to raise rates. Best of all, from a politician's point of view, this will allow them to cloud what the true cost of government is. I'm opposed to this bill.

Lloyd and Annis Osborne wrote, we are very much against Bill 38. Everyone in any kind of business is supposed to balance their books. Why does the government think that they should not do

the same? Taking from Crown corporations is not balancing government books. The public would also like to take money from Crown corporations to balance our own books. Would the government allow this? If so, we'll be right in for some money to balance our books.

Finally, Elaine Henrotte from Lundar, Manitoba, wrote, Bill 38, balanced budget erosion. Allowing the government to run a core deficit budget, absolutely not. The bill of a number of years ago to maintain a balanced budget was a good one and should apply to whatever party forms the government. If, after due diligence, it is not possible to carry on that system, then go to the people. They're the ones doing the paying and/or doing without because of it. Go to the people with a referendum at election time, not a special, costly referendum.

To proceed with core deficit budgets would, as usual, give the bulk of the benefits to those in the so-called upper echelons while simultaneously scrapping those same benefits off the backs of the hard-working ordinary person and family.

Thank you for considering the comments of the Canadian Taxpayers Federation, as well as the individuals whose comments I've read today.

Mr. Chairperson: Thank you, Mr. Craig.

Mr. Borotsik: Thank you for your presentation, Mr. Craig. They're always enlightening and they're always interesting.

You had read three letters. I take it they're from your members. Was there any attempt on your part to survey your members with respect to Bill 38, and if so, have there been more than just those three responses to your either formal or informal survey?

Mr. Craig: There wasn't really a lot of time to survey our members, given when the bill was tabled and the date that I had to make a presentation here this evening. However, in the past, not just members of our organization, but Manitobans in general, what we have found from our surveys is that they very much support the current legislation, which requires the operating budget to be balanced each and every year. They think that that's a reasonable thing to do.

Many Manitobans are very concerned about the debt. We're paying \$800 million a year on debt-interest costs. It's, quite simply, a waste of money. That money could be better spent used in our own

pockets or on certain programs that the government needs to operate.

Mr. Borotsik: There are different organizations that have different opinions. Did you have an opportunity to read the *Free Press* today and see the Canadian Centre for Policy Alternatives and their beliefs in Bill 38?

Mr. Craig: No, I did not.

Mr. Borotsik: Maybe I'll just bring you up-to-date. That particular organization, CCPA, has indicated that Bill 38 doesn't go quite far enough. They do appreciate the fact that you can now deficit finance; that's in the article. They say this is the best thing that happened, is the deficit financing.

What they did say is it didn't go far enough because they still have a referendum on taxes. We're trying to find that loophole, by the way, as to where that loophole is in Bill 38 with respect to tax increases. The Canadian Centre for Policy Alternatives, as I said, they've identified the fact that there's an opportunity to run deficits. You've identified the fact that there's an opportunity now to run deficits on an annual basis.

I go to a question that you asked yourself, but I'd like your answer. Why now? Why, after nine budgets that they take great pride in balancing and standing up constantly and saying, this is the ninth balanced budget that we have. Why now would they stop the process that has been so successful for them in the past?

Mr. Craig: I don't understand why. I think, from what I understand—I was away from the province for a number of years—but it appears as though that the Province has balanced the budget for nine years in a row, and I think that's a good thing.

I think that it's a good thing that the New Democratic Party has changed their position on the balanced budget legislation from being just in completely disliking it in the past to now embracing it. All parties have taken that view now that they support balancing the budget on an operating basis each and every year. We've got that legislation in place, and I think that's what should be built upon, not eroding that what we've got right now which we've worked hard for and replacing it with something completely different that does water down the whole system and allows for deficits and all kinds of other things that are not as fiscally responsible as we could be.

I don't why it's come now; it wasn't in the election; it wasn't discussed by any party, to my understanding. That's why that our organization has come out so strongly against this.

Mr. Chairperson: Thank you for your presentation.

The next presenter is John Doyle, representing the Manitoba Federation of Labour. John Doyle.

Mr. John Doyle (Manitoba Federation of Labour): Good evening.

Mr. Chairperson: Do you have a written brief?

Mr. Doyle: Yes, I do.

Mr. Chairperson: We'll distribute it. Please start when you're ready.

Mr. Doyle: The Manitoba Federation of Labour, its member unions and the Canadian labour movement as a whole has a lengthy history of offering advice to all levels of government on the development of sound economic policy and the orderly financing of public initiatives. For more than 50 years, we have versed governments of all political stripes to formulate laws and policies that will lead to fairness, justice and an improved quality of life for Manitobans.

* (21:20)

Part of the challenge of attaining these goals is even-handed and fair strategies to deal with public debt and budgetary deficits. When the Government of Manitoba passed The Balanced Budget, Fiscal Management and Taxpayer Accountability Act in 1995, the MFL was concerned that it was a strategy by the government of the day to continue having a dramatic impact on how governments govern after their term in office was over. It did not strike us as the basis for good public policy development.

In our view, good government sometimes includes financing in order to meet specific economic and social goals, particularly when unforeseen difficulties and the highs and lows of the business cycle present themselves. Sometimes these issues must be dealt with immediately in order to benefit citizens and to ensure that a minimum amount of negative impact is experienced. Of course, this short-term measure must be balanced by paying down the debt or deficit as economic conditions improve.

Overall, we believe that good government budgeting is characterized by a number of elements. It should balance the sometimes erratic private-sector

impact on the economy to avoid the inevitable boom-and-bust cycle that private-sector-based economies are noted for. By controlling their own tax policies, governments are able to put in place the human and physical infrastructure that a healthy private sector depends on, and through progressive tax structures in healthy economic times and deficit budgeting in poor economic times, stabilizing the economy.

Governments have sometimes taken the economic activity produced by deficit budgeting as a signal to gain popularity through tax reductions, tax holidays, grants and other government revenue reductions. This, of course, is exactly the wrong thing to do. It means that government is operating with only half of the equation.

Government intervention during the bad times must be balanced with government revenue during the good times in order to balance the books. The successful use of deficit financing requires a dedication by government to a fair and progressive tax policy, using the taxation benefits of a healthy economy to pay off the debt incurred during periods of economic instability.

In 1995 we told this legislature that balanced budget legislation is inappropriate limitations on the ability of a government to deal with the peaks and valleys of the business cycle and with unforeseen crises that may confront society. It may well be that a budget deficit is required to revitalize our economy during periods of recession or to undertake a project that the private sector can't or won't do. We believed that then and we do today. But we're not here today to ask you repeal this act instead of amending it. There is no doubt that many Manitobans take comfort in the fact that it is in place, no matter what we believe.

We are here to underscore the importance of several aspects of Bill 38 that we believe make the act more palatable and less of an encroachment on good government. The first deals with basing the calculation of government accounts over four fiscal years rather than one. In 1995, we warned that balanced budget legislation that is out of step with the natural business cycle is asking for trouble. We recommended then that the annual reporting requirements be altered to reflect the business cycle, and this bill does propose that. We commend the government for this because, simply put, it makes more sense than keeping the calculation on an annual basis.

Another aspect of Bill 38 that we are pleased to see is the measure that brings the parameters of reporting into alignment with today's standards. To quote the printed bill's Explanatory Note: "The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants sets accounting standards designed to improve the accountability and the transparency of public sector bodies. Consistent with those standards, the government's annual budget and financial statements are now prepared on a summary basis for the government reporting entity. For this purpose, 'government reporting entity' includes not only core government, but also government agencies and other public sector organizations prescribed by regulation under The Financial Administration Act." We believe that this measure will provide a more complete view of the fiscal state of the province.

Another aspect of Bill 38 that we find interesting is the requirement to prepare and table a government fiscal management strategy and assess it on an annual basis. These measures taken together will provide the people of Manitoba with a clearer understanding of what their government is doing on their behalf. This greater transparency is in itself good. Thank you.

Mr. McFadyen: Thanks very much, Mr. Doyle, for the presentation. I appreciated the presentation, incidentally, that you made the other night on Bill 37. We had different perspectives on that bill, and I think you may have perceived my questions as having a slightly adversarial tone to them that night.

But I think you'll detect a very different tone tonight, a kinder, gentler tone to the questions which you'll appreciate because there are comments in your presentations that actually echo some of the comments that have been made by a couple of previous presenters, in particular, Mr. Manness and then Mr.—I'm sorry, the gentleman from Rivers who was here [*interjection*—Mr. Gates, in that you—and this is something I want to give you credit for, you're honest enough in the presentation to say that there may be years where deficits are required in the operating budget. I think this is a point on which reasonable people can disagree, but where I think we're in agreement is that at least there's honesty in terms of what's happening, and that we can have an open and honest debate about whether a deficit was appropriate or not in that particular year, recognizing that revenues go up and down and expenditure pressures go up and down from time to time.

So you have laid out the argument that in some years deficits may be appropriate, but that they should be made up for in other years where revenue permits. That doesn't seem like a particularly unreasonable position to take. Where I want to take issue with the presentation is that, if you start from that perspective, then the government has three directions it can go in today. One is, maintain the legislation as it is. Second is, repeal the legislation and simply say, we're going to strive to balance in each year, but there are going to be years where it's going to be more difficult than others. The third is to do what they've done with Bill 38, which is what I am concerned is establishing a set of smoke and mirrors that allow them to say a budget is balanced and try to communicate that a budget is balanced, when in fact, the core budget may very well not be. It may very well be in deficit.

It takes away from our ability to have an honest debate about what's happening in government when they can come out and say, well, it's a balanced budget, but when you dig into the details of it, you know that it's not, in terms of the core budget.

It's reminiscent in some respects, and it's a bit of an extreme example, but it happens in private corporations from time to time where—especially publicly traded corporations—where executives are driven by arbitrary benchmarks to reach certain quarterly numbers. They'll start with what the target is, and they'll work back from that in order to re-engineer the numbers to get whatever the expected outcome is, in order to maintain a stock price at a certain level. It's exactly what Enron did and it's exactly what other companies have done where they establish an arbitrary benchmark and then reverse-engineer the numbers. One of my concerns about this bill is that it gets into some arbitrary and what I would describe as dishonest labels attached to the financial reality of the province that could lead to a dishonest discussion about what's really happening with the finances of the province.

So what I want to ask you is, if the three options are: keep the bill, the legislation as it is; repeal it in its entirety and just set a budget every year, set targets, then report at the end of the year as to whether or not, what the numbers are; and the third option is Bill 38, why not just repeal the existing law? Mr. Manness in fact, in his presentation earlier, said his first choice would be keep the law as it is, but if you're not going to do that, just repeal it. But don't do what Bill 38 is trying to do.

That's why I said I think there's some common themes between what you're saying, what he said, and what Mr. Gates said, which is exercise common sense. There's a need that's there. Spend on it and justify the decision and make up for it in other years. I want to ask you why you wouldn't just say to the government, repeal the legislation.

Mr. Doyle: Well, I think the commitment of the researchers and analysts that are employed in the labour movement are dedicated to the principles that we talked about earlier on in the paper, that is, government ought not to be inappropriately fettered to deal with economic issues as they arise. Having said that, I think repealing the current act is exactly the wrong thing to do at this point in time.

Much to my surprise, the people of Manitoba, who have demonstrated themselves to be far smarter than me on more than one occasion, have decided, in their own mind, I believe, that this kind of legislation in some form is a good idea. It's good to have a level of accountability that maybe didn't exist before.

*(21:30)

Now, where Mr. Manness and I differ is on the rest of the analysis. I think Bill 38 is the way to go. It maintains what remains to be a very rigorous regime for governments of—this current government and future governments will have to still meet a very rigorous set of standards outlined under Bill 38.

What Bill 38 does, though, and I think this is extremely important, is that it builds a level of flexibility into the public policy process and the government and the public financing process of those initiatives that I think gives a little bit more wiggle room for this government and future governments to address the challenges as they arise and yet comply with the requirements outlined in this bill.

Mr. Chairperson: End of the first period overtime, but I will allow a short question.

Mr. McFadyen: Coming back to the issue of just transparency and honesty in terms of discussions about the finances of the province, I think what I hear you saying is that you think that there are years where the government should run operating deficits, where the pressures are such that may be required, and that Bill 38, in fact, allows the government to run operating deficits within certain parameters, but that from one year to the next there may be deficits on the operating account of government that are within—that would comply with Bill 38. Is that your interpretation of Bill 38?

Mr. Chairperson: Short answer, Mr. Doyle.

Mr. Doyle: I think that's a very good summation if I have understood your statement in its entirety. I think it's key that we have the flexibility to not only address short-term issues but also take advantage of short-term opportunities that you might need speedy action on.

The key, though, is the other half of the equation. When you run a deficit, as soon as is practically possible, you've got to pay it off. You've got to use the good times to counterbalance the actions you had to take in the bad times, and that, I think, is the secret to long-term balancing of the books.

Mr. Chairperson: There is no second overtime period, but Mr. McFadyen has 10 seconds.

Mr. McFadyen: It's not a question. I just want to thank you for the presentation. I think your members, I think, are common-sense people and there's some common sense contained in the presentation. We may not agree with every point, but I think there's an honest, common-sense approach here, so thank you for that.

Mr. Chairperson: Thank you, Mr. Doyle.

The next presenter is Jim Carr. Do you have a written presentation?

Mr. Jim Carr (Business Council of Manitoba): No.

Mr. Chairperson: Please proceed.

Mr. Carr: Good evening, Mr. Chairman and members of the committee.

Let me start by just telling you that I represent the members of the Business Council of Manitoba, 65 chief executive officers of Manitoba's leading companies, and we aim to add a constructive voice to public policy debate, but I must say, Mr. Chairman, we don't appear in front of these committees very often. In 10 and a half years, this is the fourth time, but twice this week. We choose to make a presentation when we believe that the fundamental fabric of our society, our democracy in the case of Bill 37, or our fiscal policy is up for discussion. So that is why I'm here tonight, and those are the people whom I represent.

Let me start by congratulating members on both sides of the aisle, all three sides of the aisle because you have acted in a fiscally responsible way for a good long time now. Because of the instinct to pass

good policy over bad policy, because of the strictures of legislation, Manitoba's finances overall have been, and continue to be, in good shape. If you don't want to take my word for it, then you could ask the rating agencies who have consistently said in the ways that count, that the Province has managed its fiscal affairs reasonably well.

Whenever I walk into this building, Mr. Chairman, I'm reminded of some of the great debates in bygone years when I would open my mouth occasionally as the member of this Assembly. I can still hear Clayton Manness and Don Orchard talk about how 25 or 20 cents of every tax dollar was being spent to finance the interest on the long-term debt, and he'd say, you know what? The big winners are the bankers of Switzerland, of London, of New York, of Bonn. That stayed with me and it obviously stayed with his successors and their successors in government because sound fiscal management is the key to sound social policy and sound economic policy.

The concern about Bill 38, Mr. Chairman, is that it could lead—it doesn't have to lead, but might lead—to a loosening of discipline of our fiscal policy, and that is dangerous for Manitobans because if we begin to ratchet up our debt, we will be less able to use those dollars for health programs, for education programs, for social services, and our whole society is weakened because of it.

It doesn't have to roll out that way but this bill allows it to because it couples too many elements of the overall picture. There's nothing wrong, Mr. Chairman, with a summary statement, a consolidated statement. The people of Manitoba should be able to see what the general picture is when everything is in, when all of those agencies are factored into one statement, where the people of Manitoba can say, this is the overall picture of our fiscal health, but governments are not directly in control of all of the elements of that consolidated statement.

Why would we want to couple bad weather with good policy? The government ought to be accountable for those things over which it has direct control, and I would challenge members of the committee and the government to find ways of tabling a consolidated statement, taking out of that statement those things that relate directly to the core operations of government, and for government of any stripe that happens to be in office to be accountable for those things over which they have complete control every year. That, I believe, would

be a better way of reporting than the methods that are presented in Bill 38.

I want to say that I truly believe that politicians of all stripes have the best interests of their constituencies, their constituents, and the people of Manitoba at heart, but there are pressures that build. You all know it because you feel those pressures every day. Pressures on government are pressures to spend—short-term pressures, medium-term pressures, because people like to believe that government thinks their priority is the most important, but you are charged with the responsibility of choosing among priorities, but at the base, and what should be fundamental, is that at the end of every year when you account to the people of Manitoba, you have balanced those priorities against the resources that have been given to you, or that you have been asked to take.

Again, I really only have one message, and that message is that fiscal discipline is essential to the health of our provincial finance. Fiscal discipline is what leads to the capacity to spend wisely and prudently and to make good choices. So I encourage you to look at Bill 38 to review its potential for putting us on a road we've been on before. We didn't like it when we were there and we won't like it again. Thank you, Mr. Chairman and members of the committee.

Mr. McFadyen: Thank you, Mr. Carr, for the presentation. I want to just come back to the theme I was exploring with the last presenter, and that is the issue of transparency and honesty in terms of the way the finances of the province are being presented because there are really two different issues that we're debating when we talk about Bill 38. One is a fundamental financial and economic debate about whether or not it's acceptable to run deficits from time to time. I don't think anybody would say it's acceptable to do it each and every year over an extended period of time, but I think there are reasonable people who could argue that provided it's made up for within a reasonable amount of time, you'll have fluctuations from year to year. So we can have that debate whether that's acceptable.

The other debate, though, is how things get characterized and presented. One of the things that bothers me about Bill 38, in addition to the loosening of the discipline, is the potential for the health of the province's finances to be misrepresented over a significant period of time. The way that happens is that what Bill 38 will do is allow a government to

claim balanced budgets year after year, even in circumstances where it may be that they're running a \$500-million deficit on the operating account each and every year and then going out and borrowing that amount of money. Over four years, you could accumulate \$2 billion in debt and still claim that you balanced the budget each and every year by using the surpluses and the Crowns to say that the budget is balanced in those years. So you have the disconnect between rising debt and claims of annual balanced budgets, which will mask the underlying financial issues that are being created.

* (21:40)

So I want to ask you the same question that I asked the last presenter, and that is, very often, we think of things in two dimensions. You can either do one thing or the other thing. But, in the world of finance and government policy, things are usually far more complex than that. There are usually at least three different ways you can go, but if we break the options into three: one is keep the legislation as it is; two is repeal the legislation and go back to where we were, where governments simply set out a plan, introduced budgets, reported on the budgets and it was open and transparent; or, three, go with Bill 38, where a government can claim balanced budgets when, in fact, they're not, which is the dishonest option.

I wonder if you could say, which of those three, if you're forced to choose between two and three, option two and option three, which of those would you choose.

Mr. Carr: I would only be forced, Mr. McFadyen, if my members asked me that question.

Let me take a little bit of issue with the preamble. It is the capacity of every political leader to misrepresent anything he or she wants. But there are countervailing political forces at play. If the Minister of Finance (Mr. Selinger) stands up and misrepresents the financial statement of the province, Mr. Borotsik will be up in a hurry and will take issue with that misrepresentation. So I'm not terribly fussed about that because this is, essentially, a political document. There will be political debates and discussions about every element within it. You will talk about the extent to which raising Hydro rates is related to this legislation, because, on the other side of the ledger, there are other motivations involved in why that would happen, or the Workers Compensation Board or MPIC, and that's where the political debate is joined. What is of interest to us is

what the legislation says about what you are required to report and the penalties inherent in that reporting system.

I refer back to my remarks of a few minutes ago. We haven't been asked to make the choice between the status quo, repealing the legislation or accepting Bill 38. Let's be honest about the status quo. It's not purely a balanced budget law either because there have been transfers from the Fiscal Stabilization Fund. It does not take into account pension liabilities. So I haven't seen a pure balanced budget law anywhere. But, if you're asking us which we would prefer, we would prefer the reporting to be as pure as possible and on an annual basis.

Mr. Chairperson: I'm going to enforce the time limits after Mr. Selinger asks a short question so that we can have time for one presenter before 10 p.m.

Mr. Selinger: I'll defer my question to the other critic.

An Honourable Member: That's fine, Mr. Selinger, I'll go.

Mr. Selinger: Then I'll pass the question to another presenter to have the floor before we conclude.

Mr. Chairperson: We have 20 seconds left. Mr. McFadyen, with a 10-second question.

Mr. McFadyen: The question is this: This bill allows the government to claim a balanced budget. It sanctions a label of balanced on budgets that aren't balanced. Does that not bother you?

Mr. Carr: [*inaudible*] sanctions the nomenclature of balanced in a consolidated summary statement that includes the operations of the Crowns. We think that there's a better way of assessing government performance year-by-year.

Mr. Chairperson: Thank you, Mr. Carr.

The next presenter is Mr. Chuck Davidson, Winnipeg Chamber of Commerce.

Mr. Davidson, do you have a written presentation?

Mr. Chuck Davidson (Winnipeg Chamber of Commerce): I do not.

Mr. Chairperson: Please proceed.

Mr. Davidson: Thank you very much, Chairperson, MLAs, ladies and gentlemen. My name is Chuck Davidson. I'm the vice-president of Policy and Communication at the Winnipeg Chamber of

Commerce. The Winnipeg Chamber of Commerce is a not-for-profit organization that represents over 2,000 businesses in the city of Winnipeg, and those 2,000 businesses employ close to 90,000 employees.

We've been in existence since 1873. We're recently celebrating our 135th anniversary, and I'm pleased to say that our membership is larger today than it's been anytime in our 135-year history. Our role is to foster an environment in which business can prosper. We have long been considered the voice of business because we take credible, well-thought-out positions on issues, which brings us here today to provide comment on Bill 38, The Balanced Budget, Fiscal Management and Taxpayer Accountability Act.

The chamber has long been an advocate for governments at all levels to be fiscally responsible and disciplined when it comes to spending taxpayer dollars. We applauded the Province for being a leader when it introduced balanced budget legislation back in 1995. Since that time, both Conservative and NDP governments have boasted that they have continually balanced the books of Manitoba, and for governments of all stripes it's like a badge of honour to say the province's books are balanced. For that we applaud them.

Manitobans understand what it means to live within your means. As a not-for-profit organization, the Winnipeg Chamber of Commerce understands what it means to live within our means as well, and the Winnipeg Chamber of Commerce believes it's important that government also continues to live within your means.

Saying that, however, we do understand that, with changes in accounting principles, it is important that the Province incorporate these generally accepted accounting principles or GAAP. Businesses move toward incorporating GAAP and the previous Auditor General of Manitoba, Jon Singleton had long advocated for the Province to incorporate the use of GAAP in determining compliance when it comes to balanced budget legislation.

In the Auditor General's report on Audit of the Public Accounts released on January 5, 2005, he revealed that the Province of Manitoba ran a \$604-million deficit in 2003-2004 using the summary budget of statements. However, the provincial government, in a news release on September 30, 2004, indicated that Manitoba had achieved a positive operating balance of \$13 million for that

same year under the terms of balanced budget legislation.

The essence of Bill 38 of Manitoba follows the recommendations of the former Auditor General, which were that summary financial statements should be used to determine compliance with balanced budget legislation. It was his contention that summary financial statements incorporate the use of GAAP, reflect the annual operations of all government activities, and is the same basis that the federal government and most other provinces use. The Winnipeg Chamber of Commerce has current policy that endorses these recommendations, and we also support these measures in Bill 38.

In addition, Bill 38 would allow the summary budget to be balanced on a four-year average. This was something that was also recommended by the former Auditor General, and we understand the rationale for this and are also supportive of this measure. In moving to a summary budget, we understand the rationale of having just one set of books as a measure of transparency that will provide Manitobans with an understanding of the overall costs of government.

The challenges that the Winnipeg Chamber of Commerce has with the proposed changes in Bill 38 are as follows.

The chamber is concerned that there's no provision in the bill that the governing party continue to balance the province's core operating budget, which we believe to be extremely important. We see no evidence why the government can't commit to continue balancing the operating budget, and we would be extremely disappointed to see any government increase expenses to such an extent that they would be forced to run an operating fund deficit in the future only to hide behind legislation that allows them to do so and still be able to say they have balanced the province's books.

The chamber believes this is really about the government's ability to manage taxpayer dollars. On an annual basis, the Chamber of Commerce and Meyers Norris Penny conduct an annual survey. It's called the Manitoba Business Leaders Index and in it we gauge the concerns of the business community on a variety of issues that affect business. The scientifically valid survey conducted by Probe Research involves close to 200 responses from small, mid-size, and large commercial establishments as defined by Stats Canada and the Manitoba Bureau of Statistics. Of those 200 respondents, one-third are

represented by small, medium and large businesses. They are also broken down equally by rural and urban business.

In 2005, the Chamber/Meyers Norris Penny Manitoba Business Leaders Index revealed that only 15 percent of business leaders in Manitoba surveyed gave the provincial government a passing grade when it comes to managing taxpayer dollars. Over the past five years since we've been doing the Manitoba Business Leaders Index, business leaders have also been asked how they feel the provincial government is performing in terms of creating a good climate for business. The provincial government has consistently scored poorly in this area with only 27 percent of business leaders giving them a passing grade in the past year, compared with 29 percent in 2006, 21 percent in 2005, 24 percent in 2004, and 21 percent in 2003.

The numbers that have been revealed in the MBLI clearly show that the business leaders in Manitoba believe there is significant room for government improvement when it comes to creating a strong business climate and managing taxpayer dollars. The chamber strongly believes that while the provincial government should be commended for continuing to live within balanced budget legislation, there is a need for increased emphasis to be placed on how taxpayers' money is being spent and is it being done in a manner that stimulates economic growth and development in this province?

In the past number of years, we have seen provincial government revenues continually increase on an annual basis by hundreds of millions of dollars, thanks in large part to transfer payments from the federal government, increases in equalization payments and increased revenues from taxation.

* (21:50)

At the same time, the government has used these increased revenues and increased program spending, and we will give them credit that they have provided tax relief to Manitobans, although never as much as we would like, and while still living within the current parameters of balanced budget legislation.

To address the issue of government spending, the chamber would recommend that the government of Manitoba do the following: Create a culture in the public sector that inspires and rewards employees for finding efficiencies; review all programs every year to determine where the payoffs are the greatest and

identify areas where spending could be reduced or eliminated; establish a commission on efficiencies that engages the public in an effort to determine if the services provided by the Province are being done in a cost-effective and efficient manner; consider the use of sunset clauses in all new program spending. Governments of all stripes should strive to be more accountable and transparent in the spending of taxpayers' dollars. In an effort to address that in Bill 38 we would urge the government to amend this legislation and include a clause that would commit further governments to balance the operating funds of government on an annual basis to ensure that they continue to live within their means as Manitobans expect their government to.

In addition, we are concerned the government would introduce a number of new provisions that would exempt it from having to balance the books. Adding the exemptions of unusual weather or climate conditions, the fiscal impact of which were not anticipated, as well as a decision of another level of government or regulatory body, the fiscal impact of which were not anticipated in the budget, in our mind, makes it virtually impossible for any government to not balance the budget.

In conclusion, let's be honest. Balancing a billion-dollar budget isn't easy, but it shouldn't be. Taxpayers should demand government make the tough decisions to ensure that money is being spent wisely and efficiently. Thank you.

Mr. McFadyen: Thanks very much, Mr. Davidson, and I'm on a bit of a—I've got a set of three questions I'm posing to every presenter that comes up that are all on the same theme, but I think it's important to get to what the real issues are here within the bill.

What the original balanced budget law did was not to put in place new accounting policies or standards. What it did is that it created a political situation where a government that failed to balance the budget in a year was not only subject to criticism and political consequences but was in breach of the law, which created an added sanction which created this discipline that's been in place.

What this bill does is it goes in the exact opposite direction in that it makes it, as you said, virtually impossible to not balance the budget as balanced is defined in this bill. What it does, in effect, is create a false definition of balance that masks the reality of what's going on with the provincial finances.

I want to ask you, because I think that the debate on public finances would be more honest and more constructive if the government were to lay out the realities that it is facing today, including massive increases in collective agreements in other provinces in the nursing profession, which are going to have to be matched here in Manitoba because of the collective agreement recently signed, which is going to create massive pressure on the spending side at a time when revenue may be flattening out, based on what we know of the economic circumstances and some of the risks that we face on federal transfer policies.

Wouldn't we be better off if the government said these are the pressures we're facing? We're going to make the case that we need to increase nurses' salaries to this extent because we've got a nursing shortage, which, we all acknowledge, exists. We're prepared to take that to the people and have an honest debate about whether this is a year in which we should run a deficit to meet this need within health care, rather than creating a situation, as Bill 38 is attempting to do, of saying: We're going to spend all this money on the agreements; our revenue is going to flatten out; we're going to have a deficit on the operating account. But we are going to claim that the budget is balanced, thereby masking the reality of what's happening and creating the disconnect between the claim that the budget is balanced at the same time as the debt is going up, which, no reasonable person thinks, can go together. You can't have a balanced budget and rising debt at the same, but that is exactly what can happen under this bill.

So would you respond to that? It's not intended—I know they're anxious on the other side about the line of questioning. But it's intended to be constructive because I think there are some potentially important amendments that could arise from this debate. I just want to get your reaction as to whether it wouldn't be better to repeal the current law than to go ahead with Bill 38.

Mr. Davidson: Our recommendation would be to amend. We understand Bill 38 in terms of going to a summary budget. Our recommendation would be to amend it, so the operating budget—that's the key that we believe in Manitoba's eyes and in regard to the business community—should also be able to be balanced. We think it's more of an issue if there are challenges facing the Province in terms of expenditures. We need to look at expenditures and reducing expenditures, and that's a process that we don't often and haven't had to do in the last number

of years because revenues have continually been increasing on an annual basis.

Government is elected to make tough decisions, and if those are the cases where revenues flatten out, well then it's time to make tough decisions but it shouldn't impact the operating budget that we're running a deficit with it.

Mr. Borotsik: Thank you. Through you to Mr. Davidson, that would be fine and I appreciate what you're saying because we've been saying that all along. As I think Mr. McFadyen just indicated, we would rather have an honest financial picture put before us as opposed to one that is couched with the overall summary statement and the Crown corporations coming in.

I agree with you that we could amend the legislation to include a balanced core operating budget except the minister tells me that he doesn't want to keep two sets of books. He tells me that the Auditor General says that we don't want to keep two sets of books. It has to be a consolidated statement or a summary statement as we know it. It has to be a solid—there is a summary statement that includes all of the Crown corporations and all of the entities and we don't have—and you know when your business members say that we have two sets of books, the understanding is one's got one set of numbers and the other one's another set of numbers, usually for the government. That's not what this is.

This is a core operating statement and a summary budget. Do you see that being sufficient for your members to go forward with Bill 38?

Mr. Davidson: In its current form, our members would have a challenge with it. We understand moving to GAAP. Our concern is the operating budget. We think that the government should be able to balance its operating budget on an annual basis.

Mr. Chairperson: Last question to Mr. Borotsik.

Mr. Borotsik: The minister points to the budget papers. I've gone through them and there are a number of standards that are set, benchmarks that have been set by him in his management strategy. Those benchmarks as you probably are aware can be played with, numbers can be played with, numbers can be moved around and shifted around to find the right calculation.

He's using that as being the excuse, if you will, for not having to put in a core operating statement. He just will be able to set a standard debt-to-GDP,

for example, and if they maintain that debt-to-GDP over the next fiscal year, then they've achieved what they've set out to do, but it doesn't mean that they've balanced their core operating.

Do you believe that those standards, those management levels are sufficient for you and your organization?

Mr. Davidson: I think it's tough to kind of comment on that without knowing exactly where members would like to go. I think the key in what Manitobans with the business community want is transparency and accountability. You get that with GAAP but there is also—and we also believe that you need that through an operating budget as well to see in terms of the core operating of government in terms of the finances that they bring in and the amount that they spend. It should be able to budget and they should be able to balance on an annual basis. There's absolutely no reason.

Mr. Chairperson: Thank you, Mr. Davidson.

It's almost 10 o'clock. Since we are here Monday, could members of the committee please leave copies of their bills on the table.

The time being very close to 10, is it the will of the committee to rise?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 9:59 p.m.

**WRITTEN SUBMISSIONS PRESENTED BUT
NOT READ**

Re: Bills 37 and 38

Attention: Clerk of Committees

249 Legislative Bldg.

We strongly oppose - Bill 37 and Bill 38.

Sincerely

Joe & Joan Chamberlain

* * *

Re: Bill 38

I am against Bill 38. Like Bill 37, this bill has also not received appropriate opportunity for the public or opposition parties to be consulted.

My concern with Bill 38 is that it does not respect the spirit of fiscally responsible government

which by current law, is measured by consequences flowing from not balancing the provincial budget. Bill 38, if passed, will allow for government of the day to incur deficits in its operations without consequence to that government. It may open the door for government to return to deficit financing which cannot possibly be good for Manitobans. We seem to always be reaching with our collective fingernails to scratch our way out of the "have not" status that our neighbouring western provinces have been able to achieve.

Fiscal responsibility begins at home – that is a message that my parents taught me. What Bill 38 does is it allows the government of the day to open up yet another line of credit or use another credit card, once it fills the current one up, in order to manage its expenses. Such fiscal irresponsibility sends out a loud message to all Canadians – which is that Manitoba is willing to compromise and mortgage its future because it cannot control its present. Shame on you, Gary Doer, for doing this to our province.

Candace L. Bishoff

* * *

Re: Bill 38

Balancing the budget is a straightforward accounting exercise if one's income is equal to one's expenses. So much for the obvious. However, it becomes trickier if one's income is less than the expenses. The alternatives are somewhat limited. The government could cut its expenses by not paying obligations, i.e., full cost of living pensions to retired teachers. The less that the government has to give out to retired teachers, the more it has to put towards balancing the budget. This trick could be accomplished by having a former government minister write a report in which he recommends a zero to two-thirds COLA in place of the legislated 100 percent COLA. The momentum for such a move could be found in the clause which reads, "provided that funding is available."

It is such a useful clause, which could be extended to all government pension dealings. Then, if new arrangements are enacted, such as lowering the retirement age from 65 to 55, but no accompanying financial adjustments are made by the government for the fact that during the 10-year change, retiring teachers will not be contributing to pensions but they will instead be drawing out of them, who could blame the government? In the

meantime, look at all the money the government will have saved in order to balance the budget.

Another alternative, of course, is to use the earnings from government businesses to balance the budget. Of course, most government businesses, e.g., Hydro, MPIC, the Liquor Commission and the Lotteries Commission, get their income from people like retired teachers. For these businesses to do well, they must charge enough for their services or products to earn a profit. As these items go up in price, they unbalance the budget of people like retired teachers who do not have a COLA that matches the CPI. This balancing of the government's budget unbalances the budget of pensioners on a fixed income without a 100 percent cost of living adjustment.

The third alternative, suggested in a roundabout way in Bill 38, is simply to raise taxes to balance the budget. This is somewhat distasteful because it hinders one's chances of re-election, but it is honest.

It seems that people like retired teachers will have a hard time balancing their budgets. With a zero to two-thirds maximum COLA, as recommended in the Sale report, retired teachers will have a hard time paying the rising costs of all their bills. Balancing the budget of retired teachers will become as tricky as balancing the government's budget. It will no longer be a straightforward accounting procedure.

Now, will I cut food, heating, housing, or transportation bills? Maybe retired teachers in their 70s, 80s, 90s could still get a job at Wal-Mart. It might balance their budget.

John Sushelnitsky, retired teacher
Portage la Prairie

* * *

Re: Bill 38

I wish to make representation on Bill 38 in the public consultation segment of this bill's consideration. Since I will be unable to attend the hearings this week in person, I request that my comments below be considered as if I were there to deliver them.

I wish to object to the government's proposed strategy of drawing down funds from corporations such as MPIC and Manitoba Hydro in order to balance the provincial budget. This is a clear attempt to create wiggle room in the balanced budget

legislation by forcing these corporations to raise funds from their users not for their own operations but to fund government deficits, which is a direct and reprehensible tax on the users of those services. In at least the two cases I have mentioned (Hydro and MPIC), the products or services of those two corporations are needed by most Manitobans, and so they will be forced to pay a higher than necessary rate for electricity and car insurance so that the government can spend more or appear to be taxing its citizens less. Important and essential services over which the corporations cited in Bill 38 have a monopoly must not be penalized by government in the way you have proposed.

I am specifically concerned with the plight of retired teachers, who have precious little protection against the rising cost of living. Your government has proposed an incomplete and ineffective solution to the problem of COLA adjustments for retired teachers, and now you are proposing to force them to pay higher rates for their electricity and their auto insurance in order to fund additional and unrelated government operations. I find this concept quite offensive.

Personally I have no objection to withdrawing funds from two other corporations—Manitoba Liquor Control Commission or the Lotteries Commission—for other purposes, with one proviso as mentioned below. The sin tax concept is well established and has no need for defence. You may raise these rates as needed for government purposes, as far as I am concerned. However, if the funds are simply drawn into general revenues, this method of balancing the books is a flimsy attempt at sleight of hand. The process should be made completely transparent, and I would support the practice only if those lottery and liquor revenues are separately identified in the budget and targeted to specific areas, such as medical services, addiction services, and healthy lifestyle activities.

Jim Reid

* * *

Re: Bills 37 and 38

I am totally amazed at what you do—our government who supposedly represent the people—are proposing to do.

I request that you table my opposition to both Bill 37 and Bill 38.

Beverley Ranson

* * *

Bill 38

I, as a lifelong citizen of the province of Manitoba am in favour of a balanced budget.

However, when that same balance is achieved by raising the rates of government businesses such as Manitoba Hydro and thereby increasing the cost of living for citizens who have spent their lives serving their province and who are at the same time denied complete COLA, then I strongly object to the provincial government's plan.

Iris Nowakowski

* * *

Re: Bill 38

Dear Chairperson,

It is with great concern that I must address a number of proposals being made in Bills 37 and 38. I respectfully ask that you give serious consideration to my thoughts and that your committee deliberate carefully so that changes to legislation reflect the legitimate needs of the province and not solely that of the party in power.

Under Schedule C of The Elections Finances Amendment Act, the government proposes to levy a remuneration of \$1.25 per vote cast for a party in the recent election. This reprehensible measure would potentially impoverish the already over-taxed Manitoban to the tune of a quarter of a million dollars. How can this be justified? What ethical right has government to levy a fee for the exercise of the most basic of our democratic freedoms, namely that of casting a vote in an election? Indeed, I speak for many who correctly view this onerous fee as one which will likely turn people away from the polls.

If political parties are in desperate need of funds to finance their internal affairs, then I suggest to you, sir, that they raise their own membership fees or do as the other needy organizations in this province do—hold a raffle or a monthly bake sale. It seems to me that elected members receive sufficient salary for them to be able to sustain their own parties without imposing this privilege penalty on the electorate.

This calls to attention another unacceptable proposal under Schedule C, article 10.6(1.1) which, if enacted, would grant our elected officials a full,

yearly cost-of-living allowance. I must protest strongly that this is blatantly unfair given the government's unyielding opposition to granting Manitoba's retired teachers this same right. Bear in mind, sir, that this proposal is doubly egregious given that the retired teachers I speak of actually paid with monies out of meagre wages through increased fees, administrative costs and premiums for a CPI COLA in a legitimately negotiated agreement with the government in 1977 to have this right.

Those in government truly have not earned this entitlement, and it must not, therefore, be given. How can COLA be deemed unwarranted for teachers and yet be so deserved by those refuting the teachers' legitimate claim? For government to be seen as fair and equitable, it must first place the needs of the people it serves before its own. We, the people, have believed in this government and trusted that it would lead by example. Government will stand on its honour or fall for its lack of integrity. The choice is ultimately theirs to make.

A final proposal must be studied. This, under schedule D being The Legislative Assembly Amendment Act, article 52.22(A) concerning a member's mailing and printing privileges. As I understand it, the amendment proposes that such privileges shall cease 60 days before fixed date election. Furthermore, that this amendment will apply to all media: newspapers, magazines, billboards and so on. To what end? I ask. Is this to ensure that controversial issues not be aired for fear that the government in power be embarrassed or be obliged to defend itself in the court of public scrutiny?

Since when has democracy been properly experienced in legislated silence? Are we, the electorate, to assume that the absence of contrary opinion is a sign that all is well in all aspects of the governance of our province? How shall the voting public know what the issues are? Are they to forego their right to know? How will the governing power be held accountable? What shall then follow? Shall the government ban the right to assemble? Shall we soon see the abolition of public debate? The proposed muting of democratically elected officials 60 days before an election cannot be seen as anything but the bullying tactic of a government that knows itself guilty of its misuse of power, fearful of the truth, and its inability to satisfactorily explain its behaviour while in office.

Sir, I urge your committee to do all it can to strike down this proposed amendment for it is undoubtedly the first and surest step towards Communism wherein all media, too, become puppets of the state. I must impress upon you the need to remember that tens of thousands of our countrymen and women died in two world wars to protect this freedom of speech, this proud democracy and to ensure its longevity. Are we now going to mock their enormous sacrifice by giving up the very thing that the enemy could not take from us? What cowardice is this?

I urge you, sir, to understand the slippery slope to totalitarianism this proposed legislation presents us. Be not fooled into believing that it is a desirable economic measure that will protect the taxpayer from needless costs. Let the taxpayer decide that he/she will or will not read the literature. An informed voter cannot be found in a politically censored arena. Do not ignore that the voting public becomes very active just prior to an election. Is this not what the present government would wish to avoid, dealing with an informed and active electorate? I cannot see any other reason for this proposed amendment. Sir, it is upon you to reason with the committee so that this amendment does not proceed.

I am alarmed and deeply disappointed with the proposals contained in Bill 38. While I could enter into great detail, I shall be brief in order to underscore the essence of my dismay. Pure and simple, Bill 38 is an attempt by the NDP to wash its hands of its responsibility to good financial management. It appears that this government will be given the power to spend as it wishes for it will be permitted to break into the piggy banks of other well-managed Crown corporations such as MPIC, Hydro, et al, to cover its deficits at whim.

At a time of considerable global economic turmoil, this attitude of robbing Peter to pay Paul is immature and ignorant in the extreme. The Manitoban taxpayer is, without exception, struggling to cope with rising costs in food, shelter and transportation totally outside of its control without having irresponsible fiscal policies to worry about as well. These ill-conceived and short-sighted amendments must not be allowed if Manitoba is to avoid becoming another have-not province.

In closing, I thank you for giving these thoughts your earnest consideration, and I trust that you shall share this letter of concern with the other members of

the committee. To do so is to ensure the continuance of dialogue which is itself democracy at its best.

Again, my thanks.

Roméo Lemieux, B.Ed. M.Ed.
Faculty of Education
Brandon University

* * *

Re: Bills 37 and 38

Please table the following to the Legislative committee hearings on Bills 37 and 38.

My name is Matt Kawchuk and I currently reside in Brandon. I am a retired teacher who devoted 39 years of service to education as a classroom teacher and principal of schools in southwestern Manitoba. I began teaching at Oak Lake in 1954-58, was a teacher and principal at Russell for 12 years, principal at Virden Collegiate for 18 years, principal at Elkhorn School for five years, and I retired in 1993.

I was astounded to read that the Manitoba government is endeavouring to legislate: (a) Bill 37, whereby members of the legislature would receive \$1.25 per vote received in the previous election plus index their pension to a full COLA; (b) Bill 38, whereby the government could use money from government corporations such as Manitoba Hydro, MPIC, and Manitoba Liquor Commission to balance the budget. If this bill is passed, it could allow governments to be fiscally irresponsible and still boast of having a balanced budget. This will undoubtedly reflect in increased rates to the consumer of those services.

On the other hand, the Manitoba government is denying me and other retired teachers a fair cost of living. I believe it was in 1977 when the Manitoba Teachers' Society, under the leadership of George Strang, negotiated with the government, and a full cost-of-living increase was enacted in legislation by former Premier Ed Schreyer. This feature in the teachers' pension plan was at a cost to each teacher.

The Teachers' Society also declined the free government disability plan and formed its own disability plan funded by teachers in exchange for COLA. The teachers paid 60 percent more into their pension COLA plan so that they would receive full cost-of-living pension increases upon retirement.

This was so for a number of years until the present NDP government did not deem the retired

teachers worthy of a fair cost of living. For example, when I retired, I was receiving a full COLA annually for a number of years. However, my pension increases in the past three years were 0.2, 0.4, and 0.65 percent respectfully. One does not buy much gasoline at that rate.

Now you can see why I strongly object to the government wanting to give its members full COLA and pay retroactively for votes received while denying me and my colleagues a fair annual cost of living for which we prepaid during our working years.

Matt Kawchuk,

Brandon, Manitoba

* * *

Re: Bill 38

I respectfully wish to express my opposition to Bill 38. Governments in Canada, including the present Manitoba government, for years have wisely presented balanced budgets. The country as a whole is beginning to reap the rewards of those balanced budgets. Manitoba budgets should be balanced and should not be made otherwise by funds obtained from sources other than taxes.

It is my understanding that Bill 38 would allow government to divert money from MPIC, Manitoba Hydro and the Manitoba Liquor and Lotteries Commissions to the Manitoba government in order to balance the budget. The above-noted government agencies were designed to be self-supporting and should remain so. If any of the agencies has a surplus, the surplus should be held in a reserve account or returned to the clients of the agency by lowering fees or increasing prizes. If there is any deficit at any agency, the deficit should be covered by increased fees or a reduction in prizes. A surplus at any agency is not the property of the government and should not be diverted to government coffers.

I also understand that the government in this Bill or elsewhere is proposing that amounts should be increased by the rate of increase in the Consumer Price Index. I find that proposal is deplorable when I consider that my pension as a retired teacher is not fully indexed despite the fact that I paid premiums over many years to safeguard the value of my pension.

Gordon Henderson,

Brandon, MB

* * *

Re: Bill 38

I respectfully request that you table the following comments with the Legislative committee hearing input on Bill 38.

I admit to being impressed when the current government made a pledge to operate on the basis of balanced budgets. My understanding was that spending would be controlled to enable the government to achieve a balanced budget by limiting expenditures to the financial resources available. If I read Bill 38 correctly, it proposes that a balanced budget be achieved through utilization of additional revenues from Hydro, MPIC, the Liquor Commission, and Lotteries Commission, corporations which I believe were established to serve the citizens of Manitoba rather than the political objectives of government. My belief is that these corporations were expected to operate as economically as possible, thereby providing service to our citizens at the most reasonable cost.

Bill 38 suggests that if the income generated by and passed to government is insufficient for government to achieve a balanced budget, the cost of these services should be increased so as to enable government to achieve its objective of a balanced budget, seemingly without concern for the cost to our citizens.

I consider such a proposal contrary to the objectives of and the commitments made to the people of Manitoba at the time of the establishment of these corporations. It is indeed regrettable that our government cannot make a commitment to live within its resources at a time when our province's taxes are among the highest in Canada, our economy, according to our government, so robust, and the government's employees so lacking in such considerations as pension adjustments at a reasonable level. It has always been my belief that governments were elected to serve the people. I fear this government misunderstands its purpose. I look to government for better recognition and appreciation of its citizens.

R. M. Swayze, Brandon, Manitoba

* * *

Re: Bill 38

EXECUTIVE SUMMARY:¹

It is the Manitoba Chambers' position that the government should embrace the genius of 'and' by adopting a balanced budget requirement of a four-year average for the summary statement and the traditional one-year requirement to balance the "Operating Fund" or as it is now known, the 'core government' itemization.²

We take this position for a number of reasons, including:

- The traditional balanced budget requirement has served Manitoba well from a fiscal management perspective;
- The issue of how a balanced budget is defined is a policy matter that is outside both the scope of GAAP and the Office of Auditor General;
- This government committed to "... developing an appropriate test that imposes the **same** level of fiscal responsibility and discipline as the present balanced budget legislation (BBL):".³ [Emphasis added]
- The government is essentially maintaining the 'Operating Fund' and is reporting on it with its itemization of the 'core government'.⁴ The only thing apparently missing is the political will to commit to balancing that itemization every year.
- The bottom line on the Summary Account will largely turn on levels of precipitation

that in turn fuel Hydro's coffers. As such, in and of itself, the Summary Account is not a sufficient barometer of our government's commitment to 'live within its means.'

- Quite simply, no real policy justification has been offered that would justify removing the requirement to balance the 'core government' itemization.

INTRODUCTION:

The Manitoba Chambers of Commerce is the umbrella organization for Manitoba's Chamber movement. With a membership comprised of 75 local chambers and 350 direct corporate members, in total we represent over 10,000 businesses across Manitoba.

Our membership is not confined to any specific region within Manitoba. Nor do we represent only one size of business. In fact, the Manitoba Chambers represents the entire spectrum of business, from sole proprietorships to some of the largest companies in Manitoba. Nor do we represent only one particular sector of the economy. To cite but a few examples, our membership includes representatives within services industries, manufacturing, transportation, mining, information communication technologies, and agriculture.

The Vision of the Manitoba Chambers is a follows:

- Policy development that brings together businesses of all sizes, from all sectors, and communities across Manitoba;
- Non-partisan public debates of integrity, that criticize government where necessary, praise government where warranted, and disdain personal attacks and exaggeration;
- A business community that demonstrates high ethical standards in all it does;
- Businesses dedicated to the vitality of their communities, the prosperity of their employees and the sustainability of the environment;
- A province that understands the nature and value of entrepreneurship and promotes the competitive enterprise system;
- A provincial government with sound, long-term economic strategies that are focused

¹ This submission largely reiterates the MCC's submission to the Manitoba Government in relation to Deloitte's report, "Modernizing Manitoba's Financial Accountability Legislation."

² A sample of the 'core government' column is on page 7 of the 2008 Budget documents, and is attached as an appendix to this submission.

³ The 2005 Manitoba Budget, p. BZ.

⁴ See page 7 of the 2008 Budget documents, and is attached as an appendix to this submission.

without ignoring opportunity, flexibility and diversity;

- Government policies and spending that are efficient and effective, delivering the programs that Manitobans need and helping the disadvantaged; and
- A Manitoba that promotes the progress of all its citizens toward individual freedom, dignity and prosperity and opposes any form of negative discrimination or needless control.

The Manitoba Chambers appreciates the opportunity to present its views in relation to Bill 38. The government is to be commended for its continuing efforts to enhance fiscal transparency and accountability and, in particular, in responding to the concerns of

Manitoba's Auditor General.⁵ As well, the government deserves high praise for embarking on a process that includes commissioning reports, making them public and then inviting Manitobans to provide their views.

How a government accounts for and manages its finances will have a profound impact upon both present and future generations of its citizens. These issues are often complex and challenging. Accordingly, in preparing this submission the Chambers conducted extensive research including a review of Manitoba's Provincial Budgets since the creation of Manitoba's Balanced Budget Legislation in 1995; a review of the current budget, budget speech, budget day news releases, and balanced budget legislation (if any) of each province; the last two audits of the provincial accounts by Manitoba's Auditor General; PowerPoint presentations made by the Auditor General of Manitoba to the Manitoba Chambers on April 21, 2004, March 15, 2005 and March 14, 2006; and, of course, the two reports prepared by Deloitte.

Some preliminary comments are warranted in relation to Deloitte's report, "Modernizing Manitoba's Financial Accountability Legislation," (hereinafter 'Deloitte's report') and Bill 38. While this submission will express some concerns in relation to the recommendations put forward by Deloitte's report, it is important to note that the Chambers endorse the recommendations save and except for one major proviso.

Grappling with the issues entailed by the move to Generally Accepted Accounting Principles, (GAAP), is a difficult task involving a veritable Gordian knot of intricate and often competing policy judgements. Deloitte's report tackles these matters in a way that is accessible, informed and principled. In fact, the Chambers strongly endorses the key principles identified by Deloitte, in particular, the objectives of:

- Transparency: "Access by financial statement users to full, complete and understandable information."⁶
- Accountability: "Those accountable for a particular financial outcome should be held responsible, through the monitoring of measurable financial targets, to achieve the performance objective."⁷
- Consistency: "Measurement of financial matters, including performance measures, should be prepared in the same way each time. A consistent framework or approach to measurement should be used."⁸
- Simplicity: "The Province's reporting on financial matters should be readily understandable to citizens, without regard for their level of financial literacy."⁹

Deloitte should be commended for its work in this regard.

⁵ Jon Singleton was Manitoba's Auditor General from 1996 until July 2006. Manitoba's current Auditor General is Carol Bellringer, who was appointed to the position in July 5, 2006. All the comments attributed to the Auditor General's office in this submission were made during Mr. Singleton's tenure.

⁶ Deloitte, "Modernizing Manitoba's Financial Accountability Legislation," June 2006, p.15. http://www.gov.mb.ca/finance/reports/pdf/balanced_june9.pdf

⁷ Deloitte, p. 16.

⁸ Deloitte, p. 16.

⁹ Deloitte, p. 16.

BACKGROUND:¹⁰

The Manitoba Government's fiscal reporting/accounting has three key elements:

- **The Balanced Budget Legislation (BBL)**¹¹: Created in 1995, this legislation reflects certain policy decisions in relation to the way the government should handle its finances. For example, except in certain special circumstances, it requires the government to balance the budget each year or suffer penalties. It also requires a referendum if tax increases are contemplated and mandates payment on the government debt.

- **The Operating Fund**: This fund "... is comprised of the revenues and expenses of the **Government departments** that are accountable to the legislature."¹² (Emphasis added) When the BBL talks about a balanced budget it focuses on the Operating Fund.¹³

- **The Summary Statements**: Of course, the provincial government is much more than the sum of its departments; it includes a wide array of crown entities, agencies and enterprises all with varying degrees of independence from the operations of the Premier and the Cabinet. The summary statements provide a broad cross-section of these entities and include the Operating Fund.

For a number of years Manitoba's Auditor General has been expressing concern that the fiscal accounting/reporting of the Manitoba government does not comply with GAAP.¹⁴

GAAP places a number of demands on a government's fiscal system:

- *It tells government what to count*: GAAP says the government's financial statements must indicate all entities 'controlled' by government. GAAP defines 'control' very broadly and would include universities, colleges, public schools, special operating agencies and Crown organizations like Hydro and the Manitoba Public Insurance Corporation. The Operating Fund falls well short of this standard and even the much broader Summary Statements will have to be expanded to be GAAP compliant.

- *It tells government how to count*: For example, expenses must be recorded when the cost is incurred, not when it is paid.

- *It is opposed to inter-fund transfers*: The BBL allows the use of the Rainy Day Fund to balance the budget. This is simply one government account, (the Rainy Day Fund), transferring to another and accordingly is not GAAP compliant.

There are huge advantages in moving towards GAAP. It has the integrity of formally being sanctioned by the PSAB and gives citizens 'the total picture' on government finances. However, for all its benefits, GAAP poses at least three fundamental challenges:

- If one includes an extremely broad definition of the public sector in the government's fiscal picture; how do you still manage to keep track of the departmental revenue and expenditures that are directly under the control of the government? In other words, how do we make sure we do not lose the forest for the trees?

Many of the entities included in the expanded definition of the public sector make day-to-day decisions through their own management and answer to their own Board. As a result, while the government can influence the long-term policy direction of these entities, its ability to impose immediate 'hands on' decisions is very limited. Further, these entities can have rapid income swings from year to year that do not necessarily reflect the quality of management. For example,

¹⁰ Those familiar with the terms and issues involved in the government's move to GAAP and Deloitte's recommendations in this regard may wish to skip to the next section.

¹¹ The actual name of this legislation is The Balanced Budget, Debt Repayment and Taxpayer Accountability Act, but it is more commonly known as the Balanced Budget Legislation.

¹² Deloitte, p. 6

¹³ The current incarnation of the 'Operating Fund', sans a requirement to be balanced, is the 'core government' itemization.

¹⁴ GAAP for the federal and provincial governments is established by the Public Sector Accounting Board,

(PSAB), of the Canadian Institute of Chartered Accountants.

Hydro can have huge revenue swings due to the level of precipitation Manitoba may receive in any given year. Given the government's relative lack of control over these entities and their financial volatility, is it still appropriate to expect the government to balance the budget each year?

- If expenses have to be listed before they are actually paid, is it fair or even beneficial to expect the government to balance its budget each year?

Deloitte's report makes 12 recommendations designed to help the government address these issues, (and many more), while honouring the goals of transparency, accountability, consistency and simplicity.¹⁵ The Manitoba Chambers endorses the bulk of those recommendations, in particular, the recommendation to maintain the Debt Repayment Fund. The concerns of the Manitoba Chambers centre on the following recommendations:

Recommendation 5. A single BBL measure should be developed to assess compliance with the new legislation. We suggest that this BBL measure be developed based on three principles:

- (a) It should be based on the surplus or deficit information reported in the Statement of Revenues and Expenses within the summary financial statements.
- (b) The measure of BBL compliance should be a multi-year measure.
- (c) The measure should provide some flexibility to provide the Government with an opportunity to respond to extraordinary circumstances.

Recommendation 7. There should continue to be accountability of the Government for the spending of revenues directly within its control. Therefore:

- (a) It would be desirable for the government's annual financial management strategy to establish targets for spending through the Legislature's approved Estimates.

(b) The Government's post year end annual report should then contain a specific comparison of the actual revenues and expenses incurred during the fiscal year with the departmental estimates included in that year's budget. This comparison would be outside of the audited GAAP financial statements, as it is a non-GAAP measure.

(c) The government could retain the Fiscal Stabilization Fund (in concept and in practice) to enable transfers to and from this fund to be available, as permitted under the current BBL, to balance the Operating Fund revenues and expenses.

FISCAL ACCOUNTING VERSUS FISCAL MANAGEMENT, AND WHERE THE BBL FITS IN

There is a fundamental difference between reporting on finances, (i.e. fiscal accounting) and reporting on fiscal management. Deloitte recognized this distinction when it identified the separate principles of 'financial management objectives' and 'financial reporting objectives' on page 15 of its report.

A report on fiscal accounting tries to provide a complete and objective picture so that the reader can make his or her own judgment on what is important. Fiscal management is about making policy judgments, and such judgments are subjective and help define what is important. As a result, reporting on fiscal management provides the information needed so that the reader can determine whether the entity involved is living up to policy judgments that have already been made.

There is often an underlying tension between the objective/complete picture of fiscal accounting and subjective/nuanced world of fiscal management. It is similar to the friction between the cattlemen and the shepherders of the old west, only here the battle over grazing rights involves the field of public perception. Is the public better off knowing the whole picture, risking information overload and confusion, but having the chance to come to its own conclusions? Or is the public better off seeing a more focused picture that reports on the government's efforts to live up to previous policy commitments, with the risk that it doesn't see the complete picture?

It is important to note that the public policy world of fiscal management is outside of the purview of the Auditor General. Consider these comments

¹⁵ The recommendations in their entirety are attached as Appendix 1 to this submission.

made by the Auditor General during a presentation to the Manitoba Chambers:

"No role for AG [Auditor General] in public **policy debates** on the following:

Taxation policies

Spending choices.¹⁶ [Emphasis Added]

The BBL involves a 'spending choice', a fiscal management commitment by government to live within its means. As such, it involves aspects that are outside the purview of the Auditor General and, by and large, even GAAP. In the words of Deloitte:

"Manitoba's Balanced Budget Legislation is intended to enhance the accountability of the Government to Manitobans for its financial management practices. Therefore, information contained in GAAP compliant reports will be used to make this assessment. However, GAAP, itself, does not contain or dictate a particular measure as the preferred or primary means of assessing financial management performance."¹⁷

This is a crucial point and therefore bears repeating: the fiscal accounting of GAAP does not dictate the nature of our BBL, a fiscal management tool. Therefore, before we consider a new BBL, it is important to remind ourselves of the policy reasons for our current BBL and what it has accomplished.

Introduced in 1995, Manitoba's BBL was hailed by the Canada West Foundation and the International Centre for the Study of Public Debt as the best balanced budget law in Canada.¹⁸ At the time, servicing the public debt cost \$592 Million, consuming 11.7% of all government revenue. This was good enough to make debt servicing the government's fourth biggest department, behind only health, education and family services.

According to the 2006 Budget, public debt costs now consume 3.2% of revenue, or \$282 Million. Granted, improvements in the economy since 1995 and increased federal funding have helped matters,

but make no mistake; the BBL played a key role in helping lower those debt costs.

The role of the BBL in this regard was acknowledged in the Deloitte report: "We believe that the most important element of the existing BBL is that it imposes a level of fiscal discipline upon the Government. This discipline is achieved through the legislated constraints on spending and the requirements to provide funding for the debt repayment and pension plan contributions."¹⁹

Indeed, the high regard for the value of the BBL was such that preserving it was one of the five key commitments when the current government was elected to its first term.²⁰

The question then becomes, 'Will Deloitte's recommendations, in particular the move to a four-year window for balancing the budget, adequately maintain fiscal discipline and the need for transparency, accountability, consistency and simplicity in relation to the government's fiscal reporting?'

CONCERNS REGARDING GAAP & A SUMMARY BALANCED BUDGET BASED ON A FOUR-YEAR AVERAGE:

1) Rapid & Extreme Changes in the State of the Summary Statements Will Diminish Accountability

Manitoba's Auditor General has long made the point that focusing on the limited areas of the Operating Fund creates a 'misleading by omission' picture of the state of the Province's finances.

For example, while the 2004 Operating Fund suggested a surplus of \$13M, he wondered how many Manitobans were aware that the Summary Financial Statements, the more complete picture, revealed a deficit of \$604M. He emphasized the significance of this issue by pointing out that deficit was the second largest since the inception of the Summary Financial Statements in 1988.²¹ This would seem to be a troubling number indeed, except for the fact that in the following year the Summary

¹⁶ Auditor General, presentation to the Manitoba Chambers of Commerce, March 15, 2005, slide 27. Available at www.mbchamber.mb.ca

¹⁷ Deloitte, p. 3.

¹⁸ Budget Address, The 1996 Manitoba Budget, p. 24.

¹⁹ Deloitte, p. 7.

²⁰ Budget Address, The 2000 Manitoba Budget, p. 1.

²¹ Office of the Auditor General, Audit of the Public Accounts for the year ended march 31, 2004, p. 5.

Financial Statements reported a surplus of \$600M – a \$1.2B turnaround.

This swing was the direct result of the state of Hydro's finances. However, the volatility introduced to the Summary Statements will not stop there. In addition to Hydro, GAAP would include the following in the Summary Statements: the Manitoba Public Insurance Corporation, the Manitoba Crop Insurance Corporation (since amalgamated with Manitoba Agricultural Credit Corporation to create Manitoba Agricultural Services Corporation), the Manitoba Lotteries Corporation and the University of Manitoba. Deloitte had this to say about the fiscal swings experienced by those entities:

"The extend of the volatility of their operations is significant. When assessed over the most recent ten year period, Manitoba Hydro is the most volatile. The absolute value of the variance between its best and worst financial result over that decade is almost \$900 million. For the remaining four organizations, this same measure was \$60 million for the least volatile (University of Manitoba) and \$175 million for the most volatile (Manitoba Public Insurance Corporation)."²²

The point here is not to suggest that we abandon the Auditor General's call for an all-inclusive financial report. However, there is a concern that the wild swings in the summary financial statements could reduce the alarm that is normally warranted in relation to significant deficits. Why worry about a near-record deficit of \$600M when the next year can bring a surplus in the same amount? This, in turn, could reduce the pressure on the government to live within its means.

2) Lack Of Control Will Diminish Accountability

While the volatility of the Summary Financial Statements in and of itself could dampen the public's concern over deficits, this will be made all the worse when the public learns those swings often have nothing to do with the quality of the government's fiscal management. Indeed, conveying how little control the government has over its finances was one of the reasons the Auditor General recommended the expansion of the Summary Statements:

"A primary driver of the 2003/04 results were the losses incurred by Manitoba Hydro (a well run company) because of a severe drought in Manitoba. By failing to discuss the negative financial results in its press release, **the government missed an opportunity to demonstrate how events beyond the government's control can dramatically change results from those planned.**" [Emphasis added.]²³

Again, while it is important to include the entire picture, it seems counterintuitive to expect real accountability for fiscal management when you set up a system that highlights the government's lack of control.

3) Lack of control (part 2)

The rolling four year calculation is designed to provide an ". . . opportunity for the Government to manage the GRE. ['GRE' stands for government reporting entity and essentially means the Summary Fiscal Statements], broadly **to ensure that any deficits which are incurred are made up over the following three years.**" [Emphasis added.]²⁴

However, there is a challenge insofar as the rolling four years look more to the past than the future. A similar problem exists for the government's own proposal, a four-year average. In other words, in the event of a substantial deficit in the current year the government will not have three years to resolve it; instead, the previous three years determine what flexibility the government will have. This may limit rather than enhance the government's flexibility to respond to these challenges, and yet 'enhanced flexibility' is one of the key reasons for suggesting the four year average.

The misperception over 'control' does not stop there. The Summary Financial Statements can convey a misleading impression about the funds under the control of, (i.e., available to) the Government of Manitoba. While the bottom line on the Summary Statement may imply the government has significant fiscal flexibility, all of that money may be due to a surplus in entities like Hydro, Manitoba Public

²² Deloitte, p. 13.

²³ Office of the Auditor General, Audit of the Public Accounts for the year ended March 31, 2004, pp. 19-20.

²⁴ Deloitte, p. 28.

Insurance Corporation, the University of Manitoba and the Manitoba Agricultural Services Corporation. In such a situation the government may have difficulty, (actually or from a public perception point of view) accessing those funds.

Consider those circumstances and add a crisis that is made worse by a lack of government spending. Imagine the government trying to explain to the public why it did not spend more even though there is an annual surplus of \$175M.

There is a fundamental disconnect between the impressions created by a Summary Statement BBL and the government's actual ability to manage a fiscal crisis.

Each time government is compelled to quell criticism by pointing out the lack of control it has, the arbitrary nature of the calculation, or the false impression created by the four year average it will undermine the system's credibility and, in the process, the government's accountability.

4) Confusion Over Fiscal Management Will Undermine Accountability

As indicated, the fiscal swings and lack of control involved in moving to GAAP-compliant Summary Financial Statements prompted Deloitte to recommend a multi-year calculation for the balanced budget.

Noting the extreme revenue swings that are possible when an entity like Hydro is involved, Deloitte proposes that the new BBL also allow the exclusion of certain losses from the calculation when those losses are substantial and due to uncontrollable factors.²⁵

²⁵ Section 3(2) of the current BBL allows for three exceptions to the requirement to balance the budget: a natural or other disaster, war or apprehension of war and a reduction in revenue of more than 5 percent that is not due to tax relief. The move to GAAP has compelled Deloitte to recommend a new category, regulatory decisions, for example, the Public Utilities Board could require Manitoba Public Insurance Corporation to control or lower rates so as to use up a surplus generated by previous operations. Such a decision would implicitly preclude future profits from making up the resultant losses. Deloitte, pp. 23-24. Further, while Deloitte leaves it to the government to define the nature of the emergencies that would warrant

Picking up on this point, section 3(3) of Bill 38 proposes the following adjustments in determining whether the government has balanced the budget:

(a) an unanticipated natural or other disaster that affects the province or a region of the province in a manner that is of urgent public concern;

(b) Canada being at war or under the apprehension of war;

(c) unusual weather or climate conditions the fiscal impact of which was not anticipated in the budget; or

(d) a decision of another level of government or of a regulatory body that took effect after the budget for the fiscal year was tabled in the Legislative Assembly or within 30 days before it was tabled, the fiscal impact of which was not anticipated in the budget.

Each of the above adjustments involves a significant level of arbitrariness. (This is especially so given the absolute lack of any standard as to how these adjustments will be determined,) in the how the government can choose the ultimate 'bottom line.' Ironically, this type of arbitrariness prompted the Auditor General to criticize the original Rainy Day Fund:

"This allows government to choose its bottom line (rather than reflect real changes in economic circumstances) in its Operating Fund financial Statements".²⁶

exclusion from the BBL calculation, the government may wish to consider the definition of, extraordinary items, in the *Accounting Handbook* of the Accounting Standards Board.

²⁶ Manitoba's Auditor General, April 21, 2004 Presentation to MCC, Slide 17. Available at www.mbchamber.mb.ca. The Auditor General did acknowledge that emergencies/severe drops in revenue as a result of the move to GAAP would pose policy challenges for government and even went so far as to suggest the a multi-year time horizon as a possibility to deal with these challenges. However, to date we have found no indication that the Auditor would endorse a system that excludes emergencies as proposed by Deloitte.

The recommended system of exclusion would also fail to 'reflect real changes in economic circumstances' and would not comply with GAAP. This arbitrariness could cause confusion over the government's 'real' fiscal management and further undermine accountability.

5) New Territory

As noted by Deloitte, BBL provisions vary significantly across Canada.²⁷ Seven of the ten provinces have some manner of BBL. Of those, only Quebec, Saskatchewan and New Brunswick look at a calculation that goes beyond a year.

Quebec allows that if the government achieves a surplus in a fiscal year, it may incur overruns in subsequent fiscal years up to the amount of the surplus.²⁸ Saskatchewan and New Brunswick look at a four year horizon for their balanced budget calculations. Interestingly, both systems begin the calculation with a forward looking approach as opposed to Bill 37's proposal which always ties the government to the immediately proceeding three years.²⁹

This does not mean Bill 37's approach is necessarily invalid, being unique is no crime. However, it does suggest that Manitoba should proceed cautiously.

THE NEED FOR FISCAL ACCOUNTABILITY & TRANSPARENCY IN RELATION TO THE GOVERNMENT'S DIRECT FINANCES (I.E. THE OPERATING FUND):

As we have seen, for all of its advantages moving to GAAP and a four year BBL poses real challenges in relation to the accountability of the government's fiscal management. However, so far

we have focused on fiscal management in the context of the 'big picture' required by GAAP, i.e., the distorted impressions that can arise when we expand the list of public sector entities included in the government's financial statement.

GAAP also poses challenges in relation to the little picture, the public's interest in how the government is managing the finances over which it has direct control. i.e. (the revenue and spending that are currently monitored through the Core Government Itemization.) In a classic case of losing the forest for the trees, there is a need to ensure the 'little picture' doesn't get lost in the 'big picture'.

To its credit, the government identified the need to preserve transparency regarding its direct operations while making the move to GAAP:

"While the Government understands that Manitoba and other interested parties may have a significant interest in the financial position of the provincial public sector as a whole, it is believed that Manitobans also expect to continue being informed about the spending of Government departments, the revenue derived from taxes, fees, transfers from other Governments and other elements of the present Consolidated Fund."³⁰

Deloitte also acknowledged the validity of this concern:

"The inclusion of additional entities in the BBL compliance measure reduces the measurement of the Government's stewardship of the taxation and other revenues that are directly within the Government's day-to-day control."³¹

Indeed, this issue prompted Deloitte to make recommendation seven, a system for the yearly reporting of these funds.³²

While recommendation seven may go a long way in preserving transparency, it does not address the fiscal management obligation that the government live within its means. The importance of

²⁷ Deloitte, p. 8.

²⁸ Balanced Budget Act, R.S.Q., chapter E-12.00001, Section 9.

²⁹ In Saskatchewan, after each general election the government must prepare a four year plan that is balanced. The Balanced Budget Act, Chapter B-0.01, Section 3. New Brunswick's Fiscal Responsibility and Balanced Budget Act requires the government to balance the budget from April 1, 2004 to March 31, 2007, from April 1, 2007 to March 31, 2011 and for each four year period thereafter. Chapter F-14.03, Section 1(1) and 2.

³⁰ Comments of the Government of Manitoba, as contained in the Office of the Auditor General, Audit of the Public Accounts for the year ended March 31, 2005, pp. 27-8.

³¹ Deloitte, p. 21.

³² Recommendation 7, Deloitte p.24.

this additional obligation was acknowledged by both the government and Deloitte:

- *The government:* Listed the following as one of the key challenges in moving to GAAP:

"... developing an appropriate test that imposes the same level of fiscal responsibility and discipline as the present balanced budget legislation (BBL)."³³
- *Deloitte:* *Acknowledged that any new BBL must have "sound financial reporting requirements and credible financial management measures"³⁴ and stated ". . . the move to GAAP-based summary reporting and a related BBL compliance measure does not invalidate interest which the electorate and the users of financial statements have in how the Government manages the spending of revenues which are directly within its control."³⁵ [Emphasis added.] As well, it acknowledged that the most important element of the existing BBL was the level of fiscal discipline (a matter of fiscal management) it imposed upon the government.³⁶*

Some may suggest the move to GAAP has diminished the capacity of the Operating Fund to show whether the government is truly living within its means, and therefore, the Operating Fund is no longer an effective tool for fiscal management. Indeed, Deloitte made this very point. The argument goes like this.³⁷

- The original BBL made balancing the Operating Fund mandatory because running a deficit was indicative of the need to increase the general purpose debt (a growing debt load is to be avoided because it means increased debt payments, diverting funds away from government programs and reducing the government's fiscal flexibility);

- GAAP requires that certain items be listed as expenses even though they are not paid within the fiscal year. For example:
 - Amortization of capital assets, which is a non-cash expense.
 - Accruals for employee future benefits such as pensions – while these amounts clearly represent the cost of employee service rendered during the period, the amounts are not paid until a substantially later date.
 - Certain commitments to provide funding in the future result in the requirement that the total amount of all future funding be recorded as an expense of the current period.
 - The discovery of an environmental liability cleanup obligation results in the recording of an expense, even though it may not be paid for quite some time.³⁸
- As a result, when the government's fiscal statements become GAAP compliant, its indication that expenses surpass revenue will no longer be a clear sign as to whether the government needs to increase the general purpose debt.
- Therefore, an Operating Fund deficit would no longer be a sign of poor fiscal management.

There are a number of answers to this argument. Firstly, while it is true evaluating fiscal management becomes a challenge when reported expenses do not reflect actual expenses, a similar problem exists for the four-year average suggested by Bill 38.

Secondly, this challenge does not change the fact that both the government and Deloitte recognized a need for credible fiscal management in relation to the funds directly in the government's control. With respect, this need has not been fulfilled.

As well, and this is perhaps the key point, fiscal management of the Core Government itemization remains important. Indeed, Deloitte acknowledged that the most important element of the BBL was its ability to impose fiscal discipline on the

³³ The 2005 Manitoba Budget, p. B2.

³⁴ Deloitte, p.1.

³⁵ Deloitte, p.25.

³⁶ Deloitte, p.7.

³⁷ Deloitte, p.7.

³⁸ The first three examples are found on Deloitte p. 7, the fourth example is from p.1.

government.³⁹ While GAAP requires many items to be listed as expenses that do not add to the general debt, failure to balance the Operating Fund as defined in the current legislation and Deloitte's recommendation seven always will.

The need to maintain transparency in relation to the funds immediately within the government's control compelled Deloitte to recommend the continuation of a non-GAAP compliant Operating Fund.⁴⁰ What is not explained is, if policy considerations deem it necessary to maintain the fiscal transparency of the Operating Fund, why do they not warrant the continuation of the fiscal restraint requirements regarding that fund? It is akin to being told the horse is still important, but removing the barn door.⁴¹

THE GENIUS OF 'AND'

1) The Context

The move to fully compliant GAAP summary accounting raises a number of complex policy issues. Possible answers invariably involve trade-offs between transparency, accountability, consistency and simplicity. As such it is important to carefully weigh our options. In the words of Deloitte, ". . . moving from analysis to formulating reasoned recommendations requires thoughtful consideration of alternatives and the principles that will govern the development of the recommendations."⁴²

In fact, the ultimate answer may not be one single solution, but a number of elements. Again, in the words of Deloitte, ". . . some variation or combination of multiple measures, could be put forward as the new standard for BBL compliance."⁴³

This begs the question, 'Is there a combination of measures, not included in Deloitte's

recommendations or Bill 37, that would better serve the public's need for both high accountability and disciplined management in relation to the government's finances?'

2) The Proposal

We have seen a 'push and pull' between the GAAP approach which emphasizes fiscal accounting but has challenges regarding fiscal management, and the current BBL Operating Fund which emphasizes fiscal management but has challenges regarding fiscal accounting. Perhaps the real mistake is picking one over the other?

Deloitte correctly pointed out a fundamental principle in relation to accountability: "Those who are held responsible for performance must have an ability to control and/or respond on a timely basis to the factors that affect the measurement of performance."⁴⁴

If a key to effective accountability is having a level of responsibility commensurate with the level of control, would it not make sense to have different BBL time frames that reflect different levels of control? Specifically:

- utilizing a wider time frame to determine whether a budget is balanced, for example, a four year average, for the entire government entity over which government lacks direct control, and
- a more limited time frame, (for example, a single year, 0 for the revenue and expense streams over which the government has more direct control.

To judge the effectiveness of this proposal, let us see how it stands up to some of the objections leveled at the current BBL.

3) Addressing the Objectives to the Current BBL

• The Operating Fund and the BBL are not GAAP Compliant

The Operating Fund and the current BBL violate GAAP in two ways—they exclude certain items (expenses that are not case expenses and entities like Hydro over which the government does not have direct control) and they permit inter-fund transfers,

³⁹ Deloitte, p. 7.

⁴⁰ Recommendation 7, Deloitte p. 25. In fact, Deloitte even goes so far as to suggest the Rainy Day Fund be maintained to balance the Operating Fund when appropriate. (Recommendation 7c), p. 25.

⁴¹ Deloitte even went so far as to recommend yearly spending targets [Recommendation 7 b], but removes the annual BBL requirement.

⁴² Deloitte, p. 2.

⁴³ Deloitte, p. 17.

⁴⁴ Deloitte, p. 16.

(i.e., from the Rainy Day Fund and the Debt Retirement Fund.)⁴⁵

While this problem will continue with our proposal, it should be noted that even Deloitte's recommendations and Bill 37 would run afoul of GAAP as they allow for a version of the Operating Fund, sanction the continuance of the Rainy Day Fund, allow the exclusion of significant emergencies in the four year calculation and endorse the continuance of the debt repayment fund (a system of inter-fund transfers).

Indeed, the government will maintain a Core Government itemization, continue the Rainy Day Fund (albeit with a different name) and allow a myriad of exclusions to balance its Four-year average calculation.

As well, it is important to remember there are legitimate policy reasons for these exceptions and as long as GAAP compliant financial statements are also made available, the public is served by an optimal level of both fiscal accounting and fiscal management.

- **The Operating Fund Paints an Incomplete Picture**

Manitoba's Auditor General has expressed concerns that the Operating Fund can present a "misleading by omission" picture. This issue is resolved by also presenting a GAAP compliant version of the Summary Statements.

- **Two Sets of Financial Statements/Balanced Budgets Would be Confusing**

In the words of the Auditor General, "Which statements are the real ones? Which one shows a real and complete picture of the results of government activities?"⁴⁶

Firstly, it is not as if GAAP itself avoids confusion:

"It is expected that readers of Manitoba's financial statements will say that PSAB GAAP financial statements are more complicated and

more difficult to understand than the financial statements prepared today. It is expected that this observation will be made even by those who have significant training in GAAP."⁴⁷

As well, even Bill 38 and the Government's practice as typified in the 2008 Budget will provide a multiple set of numbers for the public to grapple with: the four-year average; The annual individual Summary balance (i.e., the individual numbers used to calculate the Four-year average); the adjusted average balance after the fiscal impacts of unanticipated natural or other disasters, unusual weather or climate conditions, and decisions of other levels of government or regulatory bodies are removed; the state of the government's finances (impact on debt, etc., if any) given the emergency⁴⁸; and the Operating Fund.

It should also be pointed out that the new system of combining the 'core government' and 'summary statement' on one page (p. 7 of the Budget 2008 documents, see appendix attached to this submission), addresses the main concern of the Auditor General in this regard, namely, having the 'Operating Fund' or 'fore government' shown in the context of the financial summary statements.⁴⁹

But the key point is the public will understand that two balanced budget systems are required to bring accountability and management to bear on two

⁴⁷ Deloitte, p. 12.

⁴⁸ Even though the costs of the emergency are eliminated for the purpose of calculating the proposed BBL measure, those costs will still have to actually be borne by government in some fashion.

⁴⁹ "One thing that we've been reporting, and it's certainly my position, is that any other statements, if you will, like this second set of books, whether it's the Operating Fund or anything else, should always be shown in the context of the summary financial statements. So, if you want to see a schedule of what's the departmental operations as opposed to the full consolidated picture, then having that incorporated within the summary audited financial statements is the appropriate place to put it, if you will, in a set of audited financial statements, so that you can see where it fits in the context of the whole." Carol Bellringer, Auditor-General, Standing Committee on Public Accounts, Vol. LX No. 1-7 p.m., December 10, 2007, p. 11.

⁴⁵ Office of the Auditor General, Audit of the Public Accounts for the year ended March 31, 2005, pp. 42-3.

⁴⁶ Manitoba's Auditor General, presentation to the MCC, April 21, 2004, Slide 26.

distinct sets of fiscal circumstances. Certainly, the public has some experience in this regard as Manitoba has had both Operating Fund and Summary Statements since 1988⁵⁰, and the government has been highlighting both in news releases and Budget addresses for the last 2 years.

- **Fear That the Numbers Will Be Manipulated**

In the words of Deloitte, "The principles of consistency, transparency and simplicity point to the need for a measure that is straight-forward and which is subject to minimal, if any, influence by the preparer of the BBL compliance measure calculation."⁵¹

In the wake of some significant corporate accounting scandals concern over 'cooking the books' is understandable. However, when it comes to 'influencing a measure' there is a huge difference between dishonest manipulation and flexibility. The former is immoral, often a crime, while the latter is a virtue. Indeed, flexibility was one key financial management objectives identified by Deloitte.⁵²

The current BBL allows the government flexibility to use the Rainy Day Fund to balance the Budget. From the perspective of fiscal management it makes sense to set aside some money to be used when times are hard so as to avoid increasing the debt or cutting spending. If the use of the fund is also transparent and there is a GAAP compliant Summary Statement that looks at the total picture, fiscal accounting is also served.

- **'Made in Manitoba' Accounting**

The Auditor expressed concern that no one else used the BBL system similar to Manitoba: "Will citizens be able to properly interpret financial statements prepared with 'made in Manitoba' accounting rules that no one else in the world uses?"⁵³

This is not meant to invalidate GAAP, it does have the benefit of being part of a PSAB standard, but even GAAP is not uniformly adopted across Canada. Indeed, Manitoba is only the fifth province to adopt GAAP. As well, Deloitte warns that not only will updates/revisions to GAAP continue, they will undoubtedly be more frequent.⁵⁴ As such, the divergence among the provinces will continue as different jurisdictions incorporate the changes in different ways and at a different pace.

That said, it is true that Manitoba's BBL does involve some 'made in Manitoba' accounting. Balanced budget legislation involves policy decisions and Manitoba's BBL reflects Manitoba's fiscal management priorities. But that is not unusual - as Deloitte noted, BBL provisions vary significantly across Canada.

The BBL does involve 'made in Manitoba' accounting, but if it reflects policy decisions that are important to our province and is set against a GAAP compliant process, then both fiscal accountability and fiscal management are served.

4) Additional Benefits to the TWO BBL System:

- **The Prudent Path**

Bill 38's four-year average is a singular proposal, unique in Canada.

Manitoba has a history of a BBL that has worked relatively well. Given the above uncertainty and the importance of effective fiscal management we should proceed cautiously. The best way to do this is to preserve the current system while implementing a parallel GAAP system with a four-year rolling BBL.

- **Consistent With the Government's Commitment**

In its 2005 Budget Papers the Government of Manitoba pledged the following:

"We will continue to work with the Auditor General to fully implement Generally Accepted Accounting Principles (GAAP). In the 2007/08 fiscal year, the Summary Budget will become Manitoba's **primary** financial reporting tool."⁵⁵
[Emphasis added]

⁵⁰ Office of the Auditor General, Audit of the Public Accounts for the year ended March 31, 2004, p. 14.

⁵¹ Deloitte, p. 21.

⁵² Deloitte, p. 15.

⁵³ Office of the Auditor General, Audit of the Public Accounts for the year ended March 31, 2004, p. 14.

⁵⁴ Deloitte, p. 14.

⁵⁵ Budget Speech, The 2005 Manitoba Budget, pp. 1-2

As an aside, it is interesting to note that the Auditor General seemed to echo this position in his second last report:

"Recommendation 1: That the Government make the Summary Budget its **primary** tool for explaining its financial plans to the citizens of Manitoba. This would be consistent with the decision to make the Summary Financial Statements its **primary** financial reporting tool. In essence, this would mean framing the annual budget documents around the Summary Budget, with the Operating Fund budget being shown in a subsidiary context to demonstrate how the government plans to comply with the Balanced Budget legislation and to highlight those expenditures that will require legislative approval."⁵⁶ [Emphasis added]

"Primary" does not mean only, therefore maintain the Operating Fund and two BBL's is consistent with the Government's commitment. It also more effectively honours its commitment to make sure the new BBL regime has the "same" level of accountability and discipline as the old BBL.⁵⁷

5) Appoint an Independent Committee To Monitor the Transition and Make Recommendations for Improvements

As has been indicated many times, the transition to GAAP and any new BBL regime is a complex undertaking. Again, to its immense credit the government has sought a wide range of input in making this transition, including: the Deloitte report; a public consultation in relation to that report; working with the Auditor General; and instituting a working group comprised of affected public entities including Universities and Colleges, Health, Special Operating Agencies, Public Schools, Government

Business Enterprises, Crown Organizations, and Family Services and Housing.⁵⁸

However, once a specific plan is adopted, it may be wise to appoint some form of committee to gauge and evaluate the new system against the measures of transparency, accountability, consistency and simplicity. This is particularly so if a four-year BBL system is included, for this would be untested ground in terms of its workability from both a public and government point of view.

Here the model of Ontario's Economic Forecast Council may be useful. The Ontario Finance minister is required to appoint this advisory council and the selection is based on each appointee's "... knowledge of Ontario's economy and for their expertise in economic analysis and forecasting."⁵⁹

For Manitoba, we are suggesting appointees based on their knowledge of the finances of the Manitoba Government and expertise in fiscal accountability and management.

The committee would report to both the Finance Minister and the public in relation to the transparency, accountability, consistency and simplicity of the new system.

The committee could also be tasked with analyzing some specific issues in relation to both Deloitte's proposed BBL system and the current BBL system. For example:

- Should restrictions be placed on when the government can draw on the Rainy Day Fund?
- Are the BBL provisions effective/being honoured? For example, Section 3.1. of The Fiscal Stabilization Fund Act states that the Minister of Finance must make "every effort" to make sure the amount in the Fund is at least 5% of the expenditure of the Operating Fund of the Consolidated Fund, but this requirement is rarely mentioned in the government's fiscal reporting.

⁵⁶ Audit of the Public Accounts for the year ended March 31, 2004, Office of the Auditor General p. 21.

⁵⁷ Budget 2005 included this among the key challenges in moving to GAAP compliant budgets: "... developing an appropriate test that imposes the **same** level of fiscal responsibility and discipline as the present balanced budget legislation (BBL)." [Emphasis added] The 2005 Manitoba Budget, p. B2

⁵⁸ Deloitte, "Province of Manitoba: report on Summary Financial Reporting Project, Executive Summary", p. 2.

⁵⁹ Fiscal Transparency and Accountability Act, S.O. 2004, Chapter 27, s. 12.

- Should there be a difference between when a government can draw on the Fiscal Stabilization Fund and when it can draw on emergency funding?
- Is the definition of 'emergency' too broad or too narrow?
- Is the four-year rolling tally too confusing or too restrictive?
- Does the public fully appreciate the difference between the two BBLs? If confusion is developing, what could be done to alleviate it?

CONCLUSION:

The conceptual friction between GAAP and the Operating Fund/BBL has been well documented by Manitoba's Auditor General. Bill 38 tries valiantly to reconcile the two by suggesting a new BBL, but in the end it had to propose initiatives that do not comply with GAAP (e.g., the elimination of high emergency costs in the BBL calculation). This is no slight on the government, complete reconciliation is impossible for GAAP and the BBL ultimately serve two different masters.

GAAP serves fiscal accounting; it is the world of the 'full picture', of objectivity. It is true some policy decisions can be deeply imbedded even in accounting rules, but GAAP's main goal is an objective mathematical certainty so as to allow the reader to come to his or her own conclusions. The BBL on the other hand serves fiscal management, the world of policy. It is true the BBL involves calculations, but the main objective of such accounting is to hold the government to previous policy decisions.

Neither holds up particularly well when placed under the light of the other's key objective. Disciples of GAAP cringe at the ability of the BBL to use inter-fund transfers from the Rainy Day Fund to arrive at a balanced budget. Fiscal managers trying to balance their budgets rail at being told GAAP has listed something as an expense even though it hasn't been paid.

Because they serve different ends, we have considerable freedom in determining the BBL that suits our fiscal management purposes. The result cannot be dictated by GAAP, the choice is ours.

From a fiscal management perspective the BBL proposed by Bill 38 has some challenges. It can be

confusing, create a false impression of the government's fiscal management, arbitrarily hamper the government's fiscal flexibility, and create a false impression of fiscal flexibility. What's more, it appears to be a unique proposal that has not been tested in other jurisdictions. None of these issues invalidate the recommendations, but they do add up to a call for caution, and a call for something more.

Our current BBL is a fiscal management system with which we are familiar. What's more, it has served its purpose well.

Having both a one year BBL measure for the finances directly within the government's control and a four-year average for the larger public sector per GAAP serves the public's need for optimal fiscal accounting and fiscal management. Certainly we have not been given a good policy reason for not having both.

We would do well to remember the era that gave rise to the BBL. Government had been living beyond its means, necessitating substantial debt payments that were reducing the government's fiscal flexibility and eating up funding that could otherwise have gone to programs or tax relief.

While balanced budget legislation has since helped shrink the debt in a number of Canadian jurisdictions the need for government to live within its means is as important as ever. In the words of Bob Rae, former NDP Premier of Ontario and one-time leadership candidate for the federal Liberals:

"Since my time as premier of Ontario, Canada has developed a collective allergy to deficits, and that is a good thing. In some ways that has become as much a part of our political identity as quality health care. We must continue to keep our fiscal house in order."⁶⁰

Indeed, one could argue the fiscal flexibility that comes with living with one's means is now more important than ever. We live in a time where crises are happening more frequently. An interconnected world transmits problems as well as opportunities. During this last decade the Government of Manitoba has faced the impacts of a near recession, Sept. 11, a dotcom crash, the rapid rise in the Canadian dollar,

⁶⁰ Bob Rae, "Why I Left the Left Behind: The Liberal candidate on his defection, and his vision for Canada:", *Maclean's Magazine*, October 30, 2006, p. 23.

BSE, and the growing threat of pandemics and natural catastrophes.

How a government should manage its finances is a topic that is as complex as it is dry – hardly a recipe for engaging the public. And yet, if Manitobans do not get this issue right it is our future generations that will pay. Generations we are working so hard to grow and retain with promises of an engaging and rewarding future. Generations that will be saddled with a demographic crunch where less workers will support an aging population with growing medical needs, and therefore can ill-afford a growing amount of government revenue going towards spiralling debt costs.

We must choose carefully. The greatest mistake we could make is to be lulled into believing we must pick either GAAP or the current BBL, or blur the distinctions between the two. Instead, we should focus on preserving both as together they can provide the optimal level of fiscal accounting and fiscal management Manitobans need and deserve.

Appendix 1 Deloitte's Recommendations

Guide to Acronyms:

GRE= Government Reporting Entity

GAAP = Generally Accepted Accounting Principles

CICA = Canadian Institute of Chartered Accountants

PSAB = Public Sector Accounting Board

BBL = Balanced Budget Legislation

1. The tabling of the Province's annual summary budget each Spring should be accompanied by the tabling of a summary of the Government's long term financial management strategy for the GRE. This strategy should include the objectives for several measurable financial outcomes. The outcomes to be measured should be selected by the Government to reflect its own financial management priorities. Long-term objectives should be set together with measures that outline what would constitute meaningful progress within the current budget year.
2. The tabling of the Province's annual summary financial statements should be accompanied by a comparison of actual financial achievements with the measurable financial outcomes that were highlighted in the government's financial management strategy. The comparison should principally consider the actual results achieved versus the one-year objectives set out in that year's financial management strategy and budget. The comparative analysis should be

accompanied by analysis and commentary on the relationship between the reported results and the financial management strategies in place for the current year and that have been set for the upcoming years.

3. A target timetable for the tabling of each year's budget, financial management strategy, financial statements and year end annual report should be established. There should be adherence to this schedule except in the event of an election or an extraordinary set of circumstances.
4. The use of GAAP, as established by the CICA's PSAB, should be prescribed as the Province's financial reporting standard.
5. A single BBL measure should be developed to assess compliance with the new legislation. We suggest that this BBL measure be developed based on three principles:
 - a. It should be based on the surplus or deficit information reported in the Statement of Revenues and Expenses within the summary financial statements.
 - b. The measure of BBL compliance should be a multi-year measure.
 - c. The measure should provide some flexibility to provide the Government with an opportunity to respond to extraordinary circumstances.
6. The Auditor General should be required to provide an audit report on the calculation of the annual BBL compliance measure, as described in Recommendation 5.
7. There should continue to be accountability of the Government for the spending of revenues directly within its control. Therefore:
 - a. It would be desirable for the government's annual financial management strategy to establish targets for spending through the Legislature's approved estimates.
 - b. The Government's post year end annual report should then contain a specific comparison of the actual revenues and expenses incurred during the fiscal year with the departmental estimates included in that year's budget. This comparison would be outside of the

audited GAAP financial statements, as it is a non-GAAP measure.

- c. The government could retain the Fiscal Stabilization Fund (in concept and in practice) to enable transfers to and from this fund to be available, as permitted under the current BBL, to balance the Operating Fund revenues and expenses.
8. The following features of the existing BBL could be retained in the context of new legislation:
- a. The requirement for a referendum to increase taxes.
 - b. Provisions for penalties on the Executive Council if BBL compliance is not attained (consideration should be given to not applying penalties in the first year of a newly elected government).
 - c. The requirement to annually deposit funds into the Debt Retirement Fund to be used to reduce general purpose debt.
9. The following features of the existing BBL should be eliminated as they would no longer be applicable:
- a. The exemption from penalties for non-adherence to BBL compliance in the event of a significant revenue decrease.
 - b. The exemption from BBL compliance in the event of a change in government.
10. The name of the existing BBL should be altered to reflect the expanded nature of its requirements.
11. The new BBL should contain provisions that provide for the consistent measurement of surplus or deficit over the four year compliance period by including provisions on how changes in accounting policies should be treated.
12. The legislation should include transitional provisions to take into account the Province's staged plan for implementing GAAP reporting and the facilitation of a multi-year measure. The transitional provisions are required because the earliest comparative period for which full GAAP financial statements will be available will be the year ended March 31, 2007. These comparative statements will only be prepared in 2007/08 for

inclusion in the summary financial statements for that fiscal year.

BUDGET 2008 / 7

Schedule 2
 Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result

Fiscal Year ending March 31, 2009 (in Thousands of Dollars)

Sector/Department	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
	Expenditure Estimates	and Expenditures of Other Reporting Entities	
Health and Healthy Living	4,133,022	238,389	4,371,411
Education			
Advanced Education and Literacy	572,335	422,085	994,420
Education, Citizenship and Youth	1,409,138	846,149	2,255,287
Total Education	1,981,473	1,268,234	3,249,707
Family Services and Housing	1,196,763	134,310	1,331,073
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	40,580	248	40,828
Agriculture, Food and Rural Initiatives	217,051	161,710	378,761
Competitiveness, Training and Trade	119,121	6,162	125,283
Conservation	123,076	(241)	122,835
Infrastructure and Transportation	527,011	(97,638)	429,373
Intergovernmental Affairs	260,972	-	260,972
Science, Technology, Energy and Mines	81,060	5,444	86,504
Water Stewardship	33,361	(61)	33,320
Total Community, Economic and Resource Development	1,402,232	75,646	1,477,878
Justice and Other Expenditures			
Legislative Assembly	35,064	(0)	35,064
Executive Council	2,848	-	2,848
Civil Service Commission	6,235	347	6,582
Culture, Heritage, Tourism and Sport	88,172	8,907	97,079
Employee Pensions and Other Costs	79,604	100,500	180,104
Finance	102,899	27,006	129,905
Healthy Child Manitoba	27,180	-	27,180
Justice	347,647	22,943	370,590
Labour and Immigration	49,046	8,817	57,863
Manitoba Seniors and Healthy Aging Secretariat	1,765	-	1,765
Enabling Appropriations	122,495	-	122,495
Other Appropriations	25,500	-	25,500
Less: Year-End Lapse	(65,000)	-	(65,000)
Total Justice and Other Expenditures	823,055	168,512	991,567
Debt Servicing Costs	262,500	543,105	805,605
Total Expenditure Estimate	9,799,045	2,428,196	12,227,241
Subtract: Total Expenditure Estimate (above) from Total Revenue Estimate (Schedule 1)	9,851,540	2,472,010	12,323,550
Net Result for the Year	52,495	43,814	96,309
Transfer to Debt Retirement Fund	(110,495)	110,495	-
Transfer from Fiscal Stabilization Fund	60,000	(60,000)	-
NET INCOME	2,000	94,309	96,309

Graham Starmer, Manitoba Chambers of Commerce

* * *

Re: Bill 25

I would like to commend the government for introducing amendments to The Embalmers and Funeral Directors Act. The amendments could lead to a significant improvement in the regulation of the industry in the public interest.

The Act Itself

On the act itself, I would like to make the following comments:

- 1) While there is a requirement for disclosure of information to purchasers, there is no requirement for disclosure of information to the public at large. Currently, if you are preplanning a funeral, it is very hard to get a price list from many funeral homes (particularly those which are part of large corporate chains). There needs to be provision for disclosure of information to the public, whether they plan immediate purchase or not.

- 2) The act allows for greater reporting of disciplinary information. It would be useful for the act to require that such disclosure include information on the types of issues that the board is receiving complaints about.
- 3) It is not clear to me why the provisions dealing with the Code of Ethics and disclosure of information do not come into effect on royal assent.
- 4) I would anticipate that the government will be moving to ensure that there is adequate consumer input on the body that is charged with developing the Code of Ethics and the regulations governing what is to be disclosed.

The Code of Ethics for the Funeral Industry

I include here thoughts on what should be contained in either the regulations or the Code of Ethics covering the funeral industry. I should add that most of the proposals I am making are contained in either U.S. or Ontario law.

I would recommend that the act and/or its associated regulations be amended to prohibit:

- embalming without permission
- bait-and-switch sales tactics (in which a customer is lured in with an advertised special and then steered to a more expensive option)
- tied selling (where one cannot get one product without buying another product)
- impugning consumers who express concern over price
- misrepresentation of public health requirements, particularly in regard with the "need" to embalm
- discouraging the scattering of ashes (Such a provision would be unique to Manitoba, I believe. Some funeral homes provide clients with leaflets telling them scattering them is a bad idea.)
- high-pressure sales tactics, misrepresentation, and unconscionable consumer representations. (For example, several funeral homes tell consumers that their prices are approved by the Public Utilities Board in the same way that Hydro rates are approved by the board. The PUB does not hold hearings into these prices, nor does it approve them.)

- predatory pricing (selling at less than cost to discipline or eliminate a competitor)
- requiring a supplier to refrain from selling to a competitor (e.g., certain U.S. funeral homes will not buy caskets from firms that supply caskets to discount funeral homes)
- product specifications that are not compatible with other suppliers in the market in an effort to frustrate consumers who wish to purchase some of the funeral products from alternate suppliers

I would also like to recommend that there be requirements that:

- funeral homes post price lists in prominent locations. These price lists should be prepared in a manner prescribed by regulation that allows for comparison shopping. Advertised prices should be provided in accordance with regulation.
- there be full disclosure of funeral home ownership. (This would prevent corporate chain homes from passing themselves off as independent operations.)
- there be an industry-wide ban on unsolicited marketing
- bereavement counsellors be licensed. (There are few such counsellors in Manitoba, but they exist in Ontario. These counsellors maintain contact with families after a funeral and often encourage them to arrange future funerals through the funeral home that employs them.)
- cemeteries and funeral homes that require that certain goods can only be purchased from them be obliged to sell these goods at cost

Finally, it should be noted that these provisions deal with both the funeral and the cemetery industry. Currently, in Manitoba, these are governed by different legislation and regulated by different bodies. This no longer reflects the trends in an industry in which larger corporations own and operate funeral homes and cemeteries. In the end, it would be desirable to have one law governing the entire "death care" industry and have that industry administered by one regulator.

Barrie Webster

Funeral Planning and Memorial Society of Manitoba

Distinguished members of the Standing Legislative Committee for Bill 25, The Funeral Directors and Embalmers Act:

Thank you for the opportunity to represent our profession as the Manitoba Funeral Service Association executive and membership at large in our ability to support our clients.

We wish to support good legislation that is in the best interests of the public and are therefore in support of the board of administration under The Funeral Directors and Embalmers Act having increased authority to serve the public. We are supportive of the code of ethics being implemented and regulated. We are in support of the implementation of substantial fines, thus causing funeral service to share the cost of the board of administration to have funding for time spent and disciplinary action through increased licensing fees. We are in support of price advertising to be regulated in such a way that all services and associated costs must be listed fully to limit opportunity for misunderstanding by the public. We request your consideration for mandatory membership in the Manitoba Funeral Service Association to better monitor adherence to The Funeral Directors and Embalmers Act. We are in support of the funeral service professionals being screened by a criminal background check as well as the Child Abuse Registry.

Once again, thank you for the opportunity to represent our profession and to better service our clients.

Respectfully submitted,

Jody Nicholson, President

The Manitoba Funeral Service Association

* * *

BILL 25

1. Introduction

I am a retired lawyer. Five years ago I discovered that there is no independent information available to the general public on planning or purchasing a funeral. I read everything I could find on the subject and interviewed about 20 funeral directors.

From this information, I developed two documents:

- Planning Your Funeral (27 pages), which provides background information;

- My Funeral Plan (five pages) which sets out the many choices to be made in planning a funeral.

I have used these two documents in making about 40 presentations to about 800 people in public libraries, at Creative Retirement and to various seniors' groups and organizations.

My presentations and my two documents are free for the asking: tonlarsen@shaw.ca

2. Bill 25's welcome provisions

As a consumer, I like the bill and particularly the provisions respecting a Code of Ethics (section 7 of the bill, adding a new s.16.1), including the enforcement provisions, the requirement for registration of anyone acting for or on behalf of a funeral director (s.10 of the bill, amending s.19 of the Act) and the requirement for information to be given to purchasers of funeral services [s.7 of the bill, adding a new s.16.2 and s.8 of the bill, adding a new s.17(q.1) & (q.2)].

I like the bill, but I would like to propose three amendments, after some comments about the problems consumers have with the "Deathcare Industry."

3. People buying funerals don't know what they don't know

Another source of information for me have been the 800 people at my presentations. In meeting them and in conversations with others, I have found that the average person does not know the answer to such basic questions as these:

- How many types of funerals are there? (Advertisements by funeral homes suggest there are two or three. I suggest there are six.)
- When does the law require a body to be embalmed?
- Is there a leak-proof casket that can prevent a body from decomposing?
- Does the law require a body to be buried in a casket, or ashes to be buried in an urn?
- Does the law prohibit the scattering of human remains?
- How many funeral homes do business in Winnipeg, and which ones are owned by a multi-national corporation?

- What are the arguments for and against pre-paying a funeral?
- Does the Public Utilities Board regulate the cost of funerals?

4. Buying a funeral: a unique transaction

Funeral directors tell me that the average cost of a funeral in Winnipeg is \$5,000 to \$10,000, which of course means for every funeral that costs less than that, there is one that costs more. Funeral costs can easily escalate because of the unique nature of the transaction:

- "Death is often ignored until one has no alternative. But by then [consumers are] vulnerable, emotional, susceptible, and with chequebooks in hand . . . There is much more consumer knowledge available about nearly every other type of business . . . The consumer woefully lacks the basic knowledge about what choices are available and what they should cost." [From a book by Darryl Roberts, a former funeral director, 1997]
- "Choice does not enter the picture for average individuals faced with buying a product of which they are totally ignorant, at a moment when they are least in a position to quibble. The cost of a funeral almost always varies . . . according to what the traffic will bear." (Jessica Mitford, 1998)
- Because of the unique nature of a funeral purchase, consumers rarely shop around, which explains the odd fact that prices tend to be higher when there is more competition.

5. The need for two kinds of information

Consumers need two kinds of information:

- Information about funeral products and services in a form that allows consumers to make comparisons.

Funeral directors are fond of suggesting that people should compare "apples with apples" (the implication always being that the person saying it has the best prices). But comparison is difficult with their common practice of selling funeral services in the form of packages. A package can include items that the consumer doesn't want but must accept as part of the package.

- Information about what is going on in the funeral industry

Generally: more than 15,000 Manitoba consumers have pre-paid their funerals. In doing so, they have named their funeral home of choice. Many of those people would be surprised to learn that over the last five years in Winnipeg, five funeral homes have closed, five have opened, and one major corporation (the owner of four funeral homes) was bought out by a multi-national corporation.

The annual report of the Board of Administration would be a good place for this type of information to be recorded and made available to the general public.

More specifically: many people attend my presentations because of problems they have had with a funeral home. Few of them complained to the Board of Administration because they had no knowledge of its existence.

I hope the board will provide information to the general public about its mandate, including, of course, its new and improved complaint process.

I also suggest that the board's annual report should contain information on the complaints it receives and the nature of the complaints.

Winnipeg's 25 Funeral Homes

Manitoba has about 86 funeral homes to handle the 10,000 deaths that occur each year in the province. Brandon has three funeral homes, and each of these places has two: Ashern, Beausejour, Dauphin, Morris, Morden, Neepawa, Portage la Prairie, Roblin, Steinbach and Swan River.

Winnipeg's funeral homes can be divided into the following groups:

1. The Independents (locally owned): 17

The following funeral homes, listed alphabetically are (to the best of my knowledge) individually owned and operated.

Aboriginal Funeral Chapel
 Knysh Funeral Chapel
 Bardal Funeral Home and Crematorium
 Korban Funeral Chapel
 Neil Bardal Inc.

LeClaire Brothers Funeral Products & Services
 Barringer Funeral Services (new in 2005)
 Mosaic Funeral Services (new in 2007)
 Edward Coutu & Co.
 Prairieland Aboriginal Funeral Home (new 2007)
 Cropo Funeral Chapel (new owners 2006)
 Transcona Funeral Chapel Ltd.
 Friends Funeral Service (new in 2005)
 Voyage Funeral Home
 Kilcollins Cremation Service (new in 2007)
 Wheeler Funeral Chapel (new in 2004)
 Wojcik's Funeral Chapel & Crematorium

2. Arbor Memorial Services (a company): Four in one

The company's head office is in Toronto. It owns about 100 funeral homes, 40 cemeteries (three in Winnipeg) and 27 crematories across Canada. Prices are set centrally for its four Winnipeg funeral homes: Chapel Lawn, Desjardins, Glen Eden, Glen Lawn.

3. SCI/Dignity Memorial (a company): Four in one

This company was Alderwoods (2002 to 2006) and Loewen before that. In Canada, Dignity owns about 200 funeral homes, four cemeteries and 20 crematories. A price list for all of its Winnipeg funeral homes is available on request. In Winnipeg the company owns three crematories, three cemeteries and these four funeral homes: Green Acres, Klassen, Thomson/Kerr (two in one), Thomson in the Park

Recent Closures

2008 Wereschuk Funeral chapel
 2007 Birchwood Funeral Chapel closed its Winnipeg office but continues in Steinbach
 2004 P. Coutu on Marion Street and Leatherdale Gardiner (on Portage Avenue in St. James)
 2003 Kerr's on Adelaide Street was torn down and its name added to "Thomson on Broadway"

PROPOSED AMENDMENT TO BILL 25

Re: Regulations under the Act

Proposed amendment to section 8 of Bill 25 which amends s. 17 of the Act (regulations): subsection 8(3) of the bill is amended by adding the following after clause 17(q.2):

(q.3) prescribing information to be provided to the public, any person or class of persons, and prescribing the manner of providing the information.

Comment

Bill 25 is helpful to a purchaser of funeral services through two new provisions:

- s.16.2 (requirement to disclose information to a purchaser);
- s.17(q.2) (regulations on information to be disclosed to a purchaser under s.16.2).

Those provisions do not necessarily help a person who is engaged in funeral planning, but who does not yet have the status of a "purchaser."

Section 6 of the bill adds a new s.15.1 (board to make information available to the public), but the information is of a limited nature, such as the names of funeral directors and embalmers.

That type of information can be useful to consumers but I suggest it isn't enough.

PROPOSED AMENDMENT TO BILL 25

Re: the Annual Report of the Board of Administration

Proposed amendment to s.8 of Bill 25, which amends s.18 (annual report).

Subsection 8(3) of the bill is amended by adding the following after the new clause 18(1)(q.2):

(q.3) the number of complaints received by the board in respect of funeral homes, funeral directors and any person referred to in section 19 (sales persons) and the nature of the complaints.

Comment

As mentioned above, it would be helpful if the annual report of the board of administration included a general commentary on the operations of the funeral industry in the province. I believe the board can do that now if it has a mind to do it. The proposed amendment is more specific and requires the board to include information on complaints.

Statistical information on complaints, whether or not the complaints result in hearings, would give consumers some idea of what is going on in the funeral industry and what to watch for when shopping for a funeral.

PROPOSED AMENDMENT TO BILL 25

Re: The Title of the Act

Proposed Amendment: The title of the act is struck out and replaced with "The Funeral Services Act."

Comment

I suggest that the title be changed for these reasons:

- when the act was first passed in the 1960s, embalming was common. It has become much less common as the rate of cremation in the province has gradually increased to about 60 percent (estimated by various funeral directors). The use of "embalmers" in the title of the act now seems archaic and ironic.
- Bill 25 brings a welcome new perspective to the act, that of consumers. A new title can reflect the change and make it easier for the general public to locate and relate to the act.

I note that the proposed term "funeral services" has two meanings:

- It refers to whatever products and assistance are required for a funeral ("Our company provides funeral services").
- It is used in everyday language to refer to any type of funeral or memorial gathering ("I've been to two funeral services this week.")

I suggest the double meaning of the term makes it appropriate as the title of the act.

Norm Larsen

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<http://www.gov.mb.ca/legislature/hansard/index.html>