

## LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, 9 May, 1985.

Time — 8:00 p.m.

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

**MR. CHAIRMAN, C. Santos:** Committee, come to order. I am now calling Item No. 2.(a)(1) Business Development, Small Business and Regional Development: Salaries, 2.(a)(2) Other Expenditures - the Member for River Heights.

**MR. W. STEEN:** Mr. Chairman, I wanted to ask the Minister some questions relating to a pamphlet that was distributed by his staff this afternoon. He's got a number of programs here that all pertain to the business development area, some of them we covered before supper, such as the Masters Program amongst the students that are in the Masters of the Business Administration Program and so on.

In the Venture Capital Program that is listed here, it mentions that small businesses incorporated in the province with at least 75 percent of the wages and salaries being paid to Manitobans and employing less than 50 people are eligible for the program. Can the Minister tell me the number of firms that received assistance from this program in the past year?

**MR. CHAIRMAN:** Mr. Minister.

**HON. J. STORIE:** Yes, Mr. Chairperson. I believe the number is 27 or 28 firms. Perhaps I can just add to that. There were 35 Venture Capital Corporations formed. The total equity investment through the VCC's was approximately \$8 million. The province's share would be somewhere around \$2.8 million. The number of jobs created or maintained, in the case of where the assistance was going to a company in jeopardy, was somewhere around the neighbourhood of 658.

**MR. W. STEEN:** In reading the former Minister's comments from last year, he made reference to the Venture Capital Program as companies that were new companies, or companies that were in difficulty. Of the 35 businesses that were assisted by this program, is there a means that the Minister and his department break these companies down into categories? I don't want him to go into the detail of reading off all 35 companies and who got money and who didn't. What I'm driving at, Mr. Chairman, is there a specific area that we are targeting our monies toward?

**HON. J. STORIE:** Yes, Mr. Chairman. The member may recall, when the Venture Capital Program was first announced, it could be utilized by four different areas, manufacturing and processing being the most predominant. About 70 percent-plus of the funds thus far expended have been to assist manufacturing

ventures. Approximately 16 percent go toward computer software companies.

So I think that the Venture Capital Program generally has targeted those areas that we originally saw as being important to the long-term future of our business economy. So it has been relatively successful, in terms of spurring economic areas where we have, we believe, some long-term strength. About 7 percent went to farm equipment repair, and 6 percent to tourism ventures.

We have since revised the criteria of the program and where there were originally four categories eligible, we have expanded that to include some research and development, communications, tradeable services and a number of other areas.

**MR. W. STEEN:** Mr. Chairman, I would ask the Minister, under the Venture Capital Program, and he mentions 6 percent of the monies went into the tourism area, is there a duplication between the Venture Capital Program and the Destination Manitoba Program, or are they two distinct programs applying to the tourism industry?

**HON. J. STORIE:** They're two distinct programs, Mr. Chairperson.

**MR. W. STEEN:** Well, the Destination Manitoba Program often has monies available to people in the tourism business for upgrading their facilities and so on. The Venture Capital Program in the tourism industry, is that for new businesses entering the tourism business, toward building a tourist camp, for example, that wouldn't qualify under Destination Manitoba?

**HON. J. STORIE:** As the member may know, the Destination Manitoba Program concluded actually in March of 1984. There was a one-year extension, and there was a redesignation of some of the funds in the program. This program is separate and distinct. A number of ventures were pursued, I don't have at my fingertips a breakdown of which were new and which were picking up the pieces, in essence, but it is separate and distinct. They're viable enterprises which were deemed eligible because they rely on services provided to, other than in most cases regional or local clients.

**MR. W. STEEN:** Mr. Chairman, as of Monday next when the Minister concludes an agreement with his counterpart, the Honourable Tom McMillan, with the new agreement coming on stream, therefore, I would trust then in the future that Venture Capital monies would not have to go to the tourism sector of Manitoba; that this money in Venture Capital could remain in the manufacturing computer and farm equipment areas, and that the tourism aspect would be separated and come under the new agreement.

**HON. J. STORIE:** Well, I don't think that you can necessarily draw that conclusion. I suppose one of the reasons that the Venture Capital Program has received

a certain degree of acceptance by the business community is because it relies heavily on risk and investment capital coming from the private sector. In terms of a total project, the provincial contribution represents something around 15 or 20 percent over the total cost of a project and this is, in effect, a loan. The province forgoes dividends for a period of three years, but it's an incentive. The important part of it, I guess, is the fact that the venture ends up with an equity investment rather than having to finance the project through financial institutions and end up with debt financing. So this is still a program that will be available for the tourism sector.

Obviously, if a project has the confidence of a number of private investors who are going to assume the majority of the risk, I think that that's important, and it may actually work in complement with the new tourism agreement.

It should be understood, as well, and as you will all finally know Monday, the tourism agreement will be somewhat targeted and somewhat selective in terms of both the criteria and the location of new tourism ventures; so there may be a broader need for other kinds of incentives. We feel that the Venture Capital Program will fill an important void in some of the areas which are not directly targeted through the new agreement.

**MR. CHAIRMAN:** The Honourable Member for Emerson.

**MR. A. DRIEDGER:** Mr. Chairman, to the Minister, I would like to pursue this Venture Capital Program a little further and maybe just get an idea how it operates.

In the constituency that I represent, basically smaller communities - I think the largest one maybe with a 1,500 population figure - and employment is always a major factor to try and get some industry or manufacturing established there.

In one particular case, we have a community that has been going out and trying to entice a manufacturing firm from south of the border to establish in the community. The scenario that is developing is that the company itself, in terms of trying to establish in Manitoba, and in a specific community, is going after the DRIE grant, federal money. What they are requesting or hoping for is that the community itself will come forward and put up a building, possibly about 10,000 square feet, provide land and services, and want to lease that property with an option clause in there. Their anticipation, I believe, is that the community is going to come forward with some input into the matter just to try and get the . . .

**HON. J. STORIE:** Is this the Christian?

**MR. A. DRIEDGER:** Yes, okay. The question that I have is the community is putting together a package, and the impact of maybe 20 or 30 jobs in a small community like that is maybe the same impact as maybe Alcan or Alcoa has on the province, you know, in the same ratio. The community is very concerned about trying to get those kinds of jobs, there are efforts being made right now to come up with the kind of capital required, or trying to work out some details in terms of trying to accommodate this situation.

The community group has not dealt with government at any stage of the game. They have dealt directly with the manufacturer and competing, I suppose, with other areas as well.

My question by and large is, Mr. Minister, if the community is prepared to come up with putting up a building and a capital investment of approximately \$200,000 in that area, is there any way that the community could come back and maybe make application under this program to try and get some kind of assistance in terms of putting up the capital required?

The community is in the early stages of this thing and you know, there probably could be all kinds of complications in it and I don't know whether it will totally develop with this group; but in this kind of a scenario, is there any way that a community who cannot really offer because in a rural municipality, you cannot offer tax incentives? There is little they can offer on their own. Is there any way that if they can work out a package with some elite Christian brothers, can they come back to the government and try and work out some details on the capital requirement?

I don't want to necessarily use the Toro thing in Steinbach as an example, but here we have individuals who are so sincere about trying to get something into the community for job creation that there is going to be input from the community. The only thing is it has to be within a realistic investment type of thing and they're not expecting very much of a return, but they want to compete. Small competitors want to compete and they're competing against their big cousins all the time. Is there any way under this program that they could get some assistance for putting up the capital required?

**HON. J. STORIE:** It may turn out the Member for Emerson can be a hero in this piece yet.

Yes, I think there is. Actually this is one of the programs that I think is just becoming known in rural Manitoba. When I did my tour in Thompson people weren't yet familiar with it, but it is filtering out there and there are Venture Capital companies that have been formed in southwestern Manitoban and Western Manitoba and into the Interlake. Basically as I see it, this is the way the community would have to go about it. In essence, we want the investment to go to a Manitoba company. But perhaps the community could decide to build a building, so they would form a corporation - the Community Development Corporation I suppose could do it - build the building and lease it at very reasonable terms perhaps to the enterprise. So that way they could provide some kind of an incentive.

The way the program would work is that the Community Development Corporation would form, they in effect would borrow 50 percent of the money or 51 percent of the money. Local investors would then, of the remaining 49 percent, would put up 65 percent of that remaining 49 percent and the province would kick in 35 percent as their contribution to the Venture Capital Program, so that would encompass the 100 percent financing for the building, let's say. The province's 35 percent would be dividend free for a period of three years, and then we would take the same return as other shareholders.

**MR. A. DRIEDGER:** I appreciate the comments, because it has a big bearing as to the kind of proposal that is being worked out and forwarded. If the community competing with . . . I don't know, what creates the confusion is because of the perception of the potential investor or a company that is going to establish a Manitoba company here, they have a different view of it. They'd like to a lease-option type of thing, five- or 10-year lease option type of thing, and that is where we get into some confusing matters here.

The local organizations are coping as best they can, and I think probably once it gets further down the line would be looking for guidance, as well, in terms of helping set the thing up. I believe the community might still be in the running and I hope they are. If that is the case, it has a big bearing as to the kind of proposal that they make in terms of the lease, square footage, because obviously this company is looking at putting as little capital as possible in to start off the first few years. The proposal is being worked on that basis with maybe an escalating clause and a per square footage lease basis.

So the group has been doing a lot of work on that. We have not come to the point where we have discussed it with government. That's why I raise it now, because I didn't realize we had this kind of a program available.

**HON. J. STORIE:** We need more advertising.

**MR. A. DRIEDGER:** Oh, shoot! Tongue-in-cheek. Anyway, after viewing this, I would certainly want to go back to the group and advise them that there might be hope yet that they could be a competitor in terms of trying to entice this company to come down, because a lot of work and a lot of interest has been developed locally on that program. I still hope that maybe it can come to realization.

Just maybe further to that, I'm sure that the Minister is aware of the company that I'm talking about. The concern that smaller communities always have is that they're going to be outbid by the bigger communities but, because these people have expressed interest in this particular area and they've looked at the location and many of the things the community has to offer, it seems to be in the ballpark where we can maybe come up with something that would be appealing to them.

**HON. J. STORIE:** I think that the way the community is approaching it certainly has merit. I don't think there's any doubt that, if the way you've described the project is the way the community would like to proceed, that the Venture Capital Program can work. We certainly have no hesitation.

I should say, we. I do not approve per se of the Venture Capital Projects, they are reviewed by staff and submitted to a Venture Capital Board which is a private sector board. The Chairperson is Mr. Grabowski, who is a local chartered accountant; the Vice-Chair is Mr. Albert DeFehr, who is a building contractor, entrepreneur, the national President of the Canadian Homebuilders' Association; the other personnel on the board are Mrs. Sokolov and Mr. Mann.

However, I am certain that they would have no reservations about working with the Community

Development Corporation. I think that is particularly attractive for two reasons: No. 1, obviously the community, if they involve themselves through a Community Development Corporation will be interested and supportive; and it also offers the opportunity of local investors to benefit along with the individual company that we're talking about. So certainly I know staff would be more than willing to assist them in any way they can. I think it's a program that is relatively - and I say relatively free of paperwork. It has been designed really to create as little paperwork, as much flexibility as possible. Small ventures take about a month to process and review. So it certainly sounds good in terms of the project that we're talking about.

**MR. A. DRIEDGER:** Just one further question on that. Would the Minister advise that before the final proposal is being presented to this corporation that in terms of possibly qualifying on Venture Capital, that the local organization should make contact with the department before they make their final proposal in terms of working out the details? I think it's to the common advantage of both the government, as well as to the community, and I'm just asking for advice as to what approach he should take because they've been sort of flogging it on their own and looking for maybe some financial adviser in terms of helping to set up the proposal itself.

**HON. J. STORIE:** Yes, I would certainly suggest that it would speed up the process as well if there was some familiarity in the system with the project. As I say, it sounds very good. I think in our discussion here I have reconfirmed the two problems with government programs generally. One is that the farther you move away from the centre, the less is known about the programs, and I would certainly be interested to hear from the member as to what might be done to spread this information because I feel this program has a lot to offer our smaller communities. It is designed so that it can help a relatively small project.

There is a \$100,000 minimum Venture Capital limit, but I have said in other meetings that it is possible to weigh that as well. If we need 70,000 or 50,000, we can also look at those. I don't want a program set up that discourages any amount of equity investment in a venture that has potential, and I don't think there are very many people out there who want to squander their investment capital on ventures that have no chance of success; and if private investors are prepared to do it, we're prepared to go along with them.

The only caution I would make to the member is that the Venture Capital Program is another one of those great programs funded through the Jobs Fund. I hope that has no bearing on your desire to continue with the progress the community has made.

**MR. A. DRIEDGER:** Under the circumstances, I will not even take any offence in this situation because my group is very sincere about trying to pursue this and I can assure the Minister that I will advise them that they make contact and, as they pursue this matter further, there is still a long way to go on this matter. But I'll advise them that they get in touch, and maybe work out jointly together with your department as to seeing whether we can get them down there.

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

**MR. W. STEEN:** Mr. Chairman, under the Winnipeg Enterprise Development Centre, this is the centre, I think it's over in the Niakwa Park area, I believe, that offers office space to Upstart businesses for a limited period of time. I would ask the Minister the number of businesses that are occupying subsidized space, and what are we using in the way of square footage for assisting numerous businesses?

**HON. J. STORIE:** Mr. Chairman, the Advanced Factory Space is no longer part of this department, but I understand there are about five. That particular section is with IT and T.

**MR. W. STEEN:** Mr. Chairman, my question was, the Winnipeg Enterprise Development Centre. It wasn't the Advanced Factory Space, but I was going to ask that question as well. It was what I believe to be is the centre that's over in the Niakwa Park area that offers new businesses office spaces, not factory space, and wondered how much . . .

**HON. J. STORIE:** There are about three or four in the office space, as well. I suppose it is still being used as an incubator of sorts.

**MR. W. STEEN:** Is the space that the province has available through this department being utilized to its fullest?

**HON. J. STORIE:** Basically the businesses that are being supported at this point are being done so, because of the nature of the business, we can make space available to them. However, the incubation program or the Advanced Factory, Advanced Office Space is operated through IT and T.

Generally, those operations which are being supported at this point are of the high tech nature, and support assistance is provided through the Industrial Technology Centre in the same location.

**MR. W. STEEN:** So the program has been moved over to another department. Therefore, we can ask that Minister, when his Estimates are before us, the success of the program, and the future of the program, but it is within this Minister's most recent annual statement.

Mr. Minister, I just couldn't pass up asking a question about the Brandon Business Development Centre since my friend, Mr. Evans, is present, and ask you, has that been moved over to IT and T, or is that still within your jurisdiction?

**HON. J. STORIE:** No, the Enterprise Development Centres are now called Business Development Centres. The Business Development Centre basically is a one-stop shopping facility; it no longer includes factory space. That was quite successful, I believe, in Winnipeg, less successful in Brandon and in Dauphin.

The service it provided there is essentially similar to the kinds of services that are offered in the Winnipeg Business Development Centre at Niakwa. The same services are available, although it is a satellite branch, in effect.

**MR. CHAIRMAN:** The Member for Emerson.

**MR. A. DRIEDGER:** Mr. Chairman, I just want to get back to Venture Capital Program briefly. I thought of a few more questions while my colleague was raising some.

Does the fact that federal money would be involved to any degree, is that a restriction on the qualifications under the Venture Capital Program? For example, if somebody makes application under the DRIE, coming back to what I illustrated before, would that create a restriction to any degree in terms of qualification under Venture Capital?

**HON. J. STORIE:** Mr. Chairperson, no, it would not make any difference to us. It may to DRIE - I believe we only call it DRIE now, because we don't get any more in Manitoba.

**MR. A. DRIEDGER:** Is the Minister telling me that there is no more money under that federal program, because it was my understanding that they were still operating, DRIE or DREE, whatever the name is?

**HON. J. STORIE:** I guess we could quibble about whether there is any money in the program. We are aware of a number of major investors who were looking to DRIE recently, and support has not been forthcoming. They are in the process of revising, once again, the criteria that are used in some of their Regional Industrial Incentives Program. I don't think it bodes well for the province. Unfortunately, it may be reflected on the particular project you're talking about.

Again, I would say that, as far as the Venture Capital Program is concerned, we have no problem with it being used in tandem with a DRIE grant. I do understand from staff that DRIE has some problems with that; I don't know whether they're unsurmountable.

**MR. A. DRIEDGER:** Okay, my question then would be, certainly it's in the best interests of everybody, I suppose, if there is a synchronization between the federal monies that are available and, they seemingly always have been. If there is not, I haven't heard of it, but if that is the case. Is there any effort being made by the department and the Minister in terms of synchronizing some of these programs, federally and provincially, because I don't think it's in the best interests to work independently of each other?

Certainly when we talk of job creation, I think federally as well as provincially, everybody is concerned about doing that. I'm just wondering if there isn't some melding effort being made between this department and the DRIE Program, because I find it interesting that the Minister indicates that there seems to be confusion at the federal level. Certainly it couldn't be because of the type of government we have here. Is this a general thing, or maybe you could clarify that a little bit?

**HON. J. STORIE:** I won't comment on the reasons for it. I don't think it is particular to this province, I think other provinces are finding a similar thing. Without being unduly critical, I presume that the Federal Government is taking some time to find its own direction, recognizing that they are facing their own particular financial problems.

However, our concern is only that whatever result from their deliberations be equitable to all provinces. I'm not saying that isn't going to happen in the end. I am saying that there is some evidence that the current federal programs dealing with regional development are in limbo. I'm aware of the fact that discussions are going on with the Federal Government, both with representatives of Business Development and Tourism, and Industry, Trade and Technology, on what is called devolution of IRDP, which is the Industrial and Regional Development Program.

So, yes, to answer your question, we are working with the Federal Government to synchronize our programs, and the devolution is one way that we believe that we can do that. Basically, what devolution means is that the bottom level of IRDP grants would be, in essence, made available to the province to distribute as they see their needs being defined. So it would solve some of the problems that we have had with overlap and with a confusion when it came to small business versus businesses that should be eligible for regional incentives programs.

**MR. W. STEEN:** Mr. Chairman, I have to think that the Minister should feel very confident that Manitoba would be treated equally to other provinces. The opposition party here did a very good job on getting the Federal Government to be a good contributor to the Sugar Beet Stabilization Program, so there is a good example of co-operation. So perhaps any joint programs that you enter into with the new Federal Government will be very favourable toward Manitobans.

I would like to ask the Minister if - he mentions in his opening remarks about signing an agreement on Monday next with the Minister responsible for Tourism from the Federal Government. He, in previous conversations I have had with him, has mentioned that he has had a meeting, or meetings, with André Bissonnette, the Minister of State for Small Business.

Does the Minister anticipate that, hopefully, in the next number of months that the Province of Manitoba will enter into a joint agreement with the Federal Government that might coincide with DRIE, or might enhance our own Venture Capital Program, and that will be of assistance to business people that generally employ 20 or less persons?

**HON. J. STORIE:** Yes, I am hopeful that that will happen over the next couple of months. Mr. Bissonnette and myself met in mid-March - I believe it was mid-March - and discussed some of the options and the potential for a joint agreement. Subsequent to that there was a Regional Development Ministers Meeting in Quebec, and there is another one scheduled for next Sunday-Monday, two weeks from this Sunday, on the 25th, 26th and 27th, where we are pursuing that question further. I think there has been an expressed desire on the part of the Federal Ministers to conclude the devolution process at an early stage, so I am hopeful that something will come from that.

**MR. W. STEEN:** In the Minister's department's statement, Page 10, they talk about special projects, and the branch undertook a number of major economic development steps during the year, which goes on to name a number of them.

Can the Minister enlighten members of the committee as to what, give us a little bit more detail as to what these projects entailed? For example, the Lake Manitoba and Winnipegosis waterways development project, what did that consist of?

**HON. J. STORIE:** Yes, many of the projects that you see were initiated proposals that were developed by our regional development corporations or regional development bodies, not necessarily corporations, and what they were looking for in the case of the Lake Manitoba and Winnipegosis waterways development project was that particular waterway as a resource. Most of these involve either community think-tank projects or, with the support of personnel from the department in a supporting, consulting role, looking at both available resources, both in terms of natural resources and human resources, and direct feasibility-type activity.

Just to further identify that project, there were three RDCs actually involved in that particular one, the Lake Manitoba and Winnipegosis waterways. They looked at the tourism, as I suggested earlier, with respect to the waterways in particular. The results of that have been the formation of the York Boat Society which is going to promote the waterway and promote our history and the culture of that area.

So those are the kinds of special projects. Most of them, as I indicated, came forward from the communities themselves, or the regional development corporations. We simply pursued them with those groups to identify whatever opportunities existed.

**MR. W. STEEN:** I believe, Mr. Chairman, that at the tourism meetings in Brandon there was a representative representing Lynn Lake that was up speaking and asking questions and making comments when the Manitoba Minister and the Federal Minister were on a panel. When you talk about the Lynn Lake project, was that a tourism project much in the vein that the . . . I think he was a clerk for the Village of Lynn Lake.

**HON. J. STORIE:** Yes, basically again, as you suggest, that was a review of the opportunities. I do know Mr. Young, who is the Economic Development Officer for that area, and I know that he, along with the community, are exploring various ways of stabilizing that community in the face of what are difficult circumstances. Tourism is certainly one of the areas that I think Lynn Lake is looking to for the future, and it's my belief that we may be able to work with that community to develop a number of initiatives which will be positive in the long run.

**MR. W. STEEN:** Another one in there, to ask the question for a colleague of mine, the Swan Valley Economic Planning and Development Association's projects, were they of the tourism variety, or were they assistance to small business people in the way of consulting services?

**HON. J. STORIE:** No, that particular thing was an off-shoot or a request that came through the RDC, actually, I believe. It basically involved, again, local planning, a look at options.

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

**MR. F. JOHNSTON:** Mr. Chairman, this little package that was presented to us today, can we assume these are the different programs that the department has for assistance to small business?

**HON. J. STORIE:** Yes. I don't know that it is a full range, but it is, I think, the major initiatives.

**MR. F. JOHNSTON:** The design assistance for small projects, is there any funding or with the Federal Government on this program, or is it strictly a Provincial Government program now?

**HON. J. STORIE:** At this point it is provincial in nature, in scope, I should say.

**MR. F. JOHNSTON:** Do you have a board? There used to be a Design Institute Board that would research all the applications for design help. Is that board still in place?

**HON. J. STORIE:** Yes, the Manitoba Design Institute Board is still in place and it's under the chairmanship currently of Ms. Dana Mallin.

I should say that this is a small program but has been used successfully and I think been appreciated. I should say, as a plug for the Design Institute, that we have expanded the board. It is well represented from all segments of our economic pie, as it were, and is currently involved in what I believe to be very imaginative and very progressive plans for the Premier's Awards which occur this fall.

There is going to be, along with the Awards' presentations themselves, a Design Week which is going to involve people and personalities from the design world from across the country and from international points as well. One of the features will be a representation by the previous Swedish Premier, I believe - or Prime Minister.

So it's something that is growing, and is growing with the support of people involved in design in the private sector and throughout the province.

**MR. F. JOHNSTON:** How many applications approximately were approved last year? I don't see it in this - or I guess the donations are here, are they?

**HON. J. STORIE:** Assistance was provided on a cost-shared basis to 30 clients, and the design counselling and other assistance was provided to 81 companies.

**MR. F. JOHNSTON:** Did you say design assistance and design counselling? Did I hear the Minister correct?

**HON. J. STORIE:** The assistance I was referring to is financial. The maximum assistance was \$1,000 per client.

**MR. F. JOHNSTON:** And you had how many of those?

**HON. J. STORIE:** 30.

**MR. F. JOHNSTON:** And the other was - I'm sorry I just didn't catch it the first time, 30 assistants, which is money?

**HON. J. STORIE:** Yes.

**MR. F. JOHNSTON:** And the other is?

**HON. J. STORIE:** There were 81 clients that received counselling and informal assistance.

**MR. F. JOHNSTON:** Mr. Chairman, that sounds like a pretty big undertaking, and I know that the Design Institute does good work, but how much is the budget going to be for this Design Week, and the Premier's Design Awards?

**HON. J. STORIE:** The total program, I understand, will be substantial, somewhere in the neighbourhood of \$200,000-plus. But I should indicate, and this is where I spoke of the imaginativeness of the design counsel, the Design Institute themselves and their board, much of this money is going to come from the private sector and from other sources. The province's contribution we believe is going to be somewhere in the neighbourhood of \$70,000 to \$90,000.00.

Our final contribution will depend on whether all of the arrangements they're making in terms of the involvement of particular businesses over the Design Week and delegate fees for the conference and so forth are worked out. We have made allowances for a contribution to that, but by and large the Design Institute has taken this project on and have undertaken to make this a success with as little involvement as possible from the Provincial Government directly.

**MR. F. JOHNSTON:** How much money is budgeted for assistance this year?

**HON. J. STORIE:** The original budget was some \$48,000.00. To that we have added for the conference, some \$40,000 plus again or whatever; again that's only an estimate and that figure actually may be lower or may be more. But that is what is estimated at this point.

**MR. F. JOHNSTON:** You assisted 30 people approximately last year and you've got \$48,000 budgeted, which would probably be in the neighbourhood, if they all wouldn't take 1,000 for assistance this year, and you're spending \$70,000 to \$90,000 on a Design Week and the Premier's Awards' night?

Mr. Chairman, does the Minister really believe that the program, by spending that much money, is going to expand that greatly? What is the goal they're trying to come up with, with this particular week? I mean, I believe you could send out a brochure telling everybody in the province that there is a Design Institute in the program and the Premier's Awards have been going on for many years, what is the goal of the Design Week?

**HON. J. STORIE:** I should indicate the design assistance for small projects, that program is separate from this budget. As well, the direct support to the conference to the Design Week is \$40,000.00. The additional 48, which I mentioned, which gives it up to - what is it? - \$88,000 is for support directly to the Premier's Design Awards. As far as the . . .

**MR. F. JOHNSTON:** So the Design Awards, the Premier's Awards and the Design Week are going to

be in the neighbourhood of \$88,000.00. Can I ask how much is budgeted for assistance?

**HON. J. STORIE:** Mr. Chairman, I'm not sure; \$40,000 is what has been allocated for the conference for the Design Week. Okay. For the Premier's Design Awards alone, that specific thing, which is a follow-up on the one two years ago, is for \$48,000.00. The design assistance for small projects is \$30,000, and that is a separate part of the budget altogether.

As far as what we hope to achieve is the recognition - and we hope important recognition - that design is an important aspect of business development. Design is like marketing, it is very often ignored whether we're talking about design of tourism facilities or design of chairs or products or widgets.

We hope to accomplish a couple of things by focusing on the importance of design. No. 1 obviously is to indicate that if we're going to compete in a world market that the design of our products and the design of our goods is an important aspect of competing.

Secondly, certainly the Manitoba Design Institute is interested in keeping industrial designers, all kinds of designers in the province. To the extent that companies, other corporations are prepared to support design assistance, that can happen. But certainly if we ignore design and we don't make a conscious effort to promote the importance of successful and innovative design, then we lose both in terms of our business development and in terms of our capacity to compete internationally, but we also lose personnel which is equally as important.

**MR. F. JOHNSTON:** Mr. Chairman, the Minister doesn't have to tell me about design. I've been in the sales business for practically 35 years, and I am well aware of the importance of packaging in all industries and design. The industries I've usually worked in are usually in the forefront of that particular type of thing.

I am saying to you that \$48,000 - the Premier's Awards have been going on for years - could be used and keep a lot more designers working in Manitoba than on Design Week. You talk about wanting to give the business and keeping the design people in business in Manitoba and spreading the business around to them, and we're spending more money on the Design Week than we are on assistance to businesses in this program.

**HON. J. STORIE:** Mr. Chairperson, I appreciate that the member has some experience. I understand that he appreciates the importance of design.

I should say that \$48,000 would employ probably one designer. What we're looking to do, as I said at the outset, is create an understanding amongst our business community that personnel who are involved in design go where the action is. We want the companies involved in manufacturing, in packaging, in processing, in export to make positions available for design experts in Manitoba.

I should indicate as well that the week and the conference and the design awards are supported by a wide array of business and professional organizations in Winnipeg and throughout the province. The majority of the funding for this extravaganza, if you like, is coming from sources other than the Department of Business Development and Tourism. So there is an appreciation

and a willingness to co-operate in this effort with the Manitoba Design Institute. I think it's good for Manitoba.

While \$48,000 may sound like a lot of money, I think that it's for a worthwhile cause. As I said, that amount would only employ one designer; and one designer, in and of himself, isn't much good to Manitoba industry.

**MR. F. JOHNSTON:** Mr. Chairman, I would only want to make one point to the Minister and then ask a question. The way this program reads, this is a cost-shared program which covers up to 50 percent of design costs to a maximum contribution of \$1,000.00. If your maximum contribution is \$1,000, that's 48 more people that could be helped, maybe more if they didn't all use the \$1,000.00. When is this Design Week?

**HON. J. STORIE:** Mr. Chairperson, the week is in the first week of November. I should say to the Member for Sturgeon Creek that we have, to my knowledge, not turned anyone away from this program. We would endeavour to find the money, because I agree with him to the extent that design assistance is important. We had 30 clients last year, but it is certainly possible that if more came forward that we would endeavour certainly to support their need.

**MR. F. JOHNSTON:** Mr. Chairman, did the Minister meet with Mr. Bulloch when he was in Winnipeg?

**HON. J. STORIE:** Yes, Mr. Chairperson, I did meet with Mr. Bulloch. For those members who don't know who Mr. Bulloch is, he is the President of the Canadian Federation of Independent Businesses. I also met with the new Regional Director for Manitoba and Saskatchewan, Mr. Dale Botting, and had what I believed to be was an excellent and frank discussion of, I suppose, the concerns from the perspective of the federation.

I think that I was able to share with Mr. Bulloch some of the, I suppose, hopes for the coming years with respect to small business, and certainly invited Mr. Bulloch and his representatives, Mr. Botting or whomever, to meet with me and to contact me if they felt that they could be of assistance. They offered the same kind of support should I feel that seeking their advice would be worthwhile.

**MR. F. JOHNSTON:** Mr. Chairman, the Minister then obviously was given the kit that Mr. Bulloch had presented to other members of the Legislature, and in it the Manitoba Provincial Report. Then of course it had the Hard Facts Summary of Manitoba in the report. Did he receive those?

**HON. J. STORIE:** I believe I did. Yes, Mr. Chairperson.

**MR. F. JOHNSTON:** Mr. Chairman, in Mr. Bulloch's Hard Facts Summary of Manitoba, he has: "Real job growth, net job loss of minus 2.2, only worse in Yukon, B.C., Nova Scotia and Prince Edward Island; fewer number of firms hired than national average, 16.4 to 21 being the national average; greater number of firms laying off, decreasing employment than the national average, 18.3 to 17.1."

Now, on the real job growth, and of course as you realize Mr. Bulloch - this is a very large 518 survey of

businesses in Manitoba who are very regular subscribing members to his organization. They are very very determined, because I mean the Business Bureau is very determined. They send out these questionnaires regularly so that the members can put them down. It's probably the best information on small business in the province and, as a matter of fact, in Canada.

Those real growth figures that he presents to us are certainly a concern. Then, of course, he goes on to the forecast of hiring optimism. "Fewer number of businesses optimistic than the rest of the country; forecast net increase in employment, total business sample, is 4.1 compared to the national average of 5.4. Fewer firms intending to hire than the national average, 25.3 to 28.9.

The largest number of firms forecast to reduce jobs, compared to any other province in the country, Manitoba is 6.8; the country is 4.5.

The forecast for capital investment optimism is fewer number of firms to increase capital investments compared to national average, 28.8 to 32.1.

Manitoba and Alberta have the largest number of firms forecast to reduce investment and liquidate assets compared to any other province in Canada, 7.9 to 4.9.

Working capital and inventory forecasts: Manitoba firms less likely to increase working capital on inventory compared to other provinces, 24.3 to 30.0, national.

Manitoba and Saskatchewan firms, with the largest planned reductions in working capital and inventory compared to all other Canadian provinces, 21 to 15.4.

Minimum wage: Fewer Manitoba businesses with full-time employees on minimum wage compared to other parts of the country, 5 percent to 5.1 national average.

Minimum wage, continued: Manitoba and P.E.I. businesses most likely to have part-time employees on minimum wage compared to the rest of the country at 39 percent of businesses in Manitoba, compared to 29.2 in the national average.

Mr. Chairman, those hard facts given to us by Mr. Bulloch's organization, CFIB, has to be regarded as fairly accurate because the survey was done between January and May of 1985.

Has the Minister gone over these facts, and what discussions has he had with his department, and what plans is he making to change these grim figures?

Also, I might say, the Minister may say that he doesn't agree with it; he may say that I am preaching doom and gloom, but these are hard facts presented, by the way, in a bulletin to the business people of the Province of Manitoba. Can we have some comment on that?

**HON. J. STORIE:** Yes, it's difficult for me to comment on this particular summary. The Canadian Federation of Independent Business does this on the basis of a survey. It is not necessarily a survey that goes even to all sectors of the economy. The response number indicated on the survey sheet is 518. There are 33,000 small businesses in the province, so in terms of a sample size I hardly would think this is significant.

I don't know that it is representative of large firms, manufacturing firms; I don't know that there is any consistency in who fills out this form. It's certainly possible that the accountant does, or the clerk does, or the owner-operator does. So I am not suggesting

that the survey has no purpose but, in terms of the format that is used, it is of limited value in determining the real intention, it would seem to me, of the majority of businesses in Manitoba. Even given that, in many respects, it is limited in both what it intends to do and practically what it does, it is a mixed bag.

It says that Manitoba and Alberta have the largest number of firms forecast to reduce investment. It says that Manitoba and Saskatchewan had firms with the largest planned reductions in working capital. So we share the doom and gloom, I suppose, with many other provinces. I think it flies in the face of what Statistics Canada and what the Royal Bank predict for Manitoba . . .

**A MEMBER:** They've been wrong before.

**HON. J. STORIE:** So has the Canadian Federation of Independent Businesses.

Mr. Chairperson, Stats Canada is predicting record growth in capital investment in Manitoba. I believe that if you look at our economy, recognizing that there is a 66 percent increase in 1984 in mineral exploration, as the Minister of Industry, Trade and Technology announced today; a record sale of oil lease rights; there is the prospect for the development of Limestone. Many many firms have stated their intention to invest over the coming year in Manitoba.

So while, obviously, you have to look at any statistics and review them and draw your conclusions, I don't draw the same conclusions. I don't have the kind of confidence in those statistics that I do in others, and I suppose we could quarrel about your statistics are better than my statistics, etc.

The fact is that we have a very good record; an economic record that I think is second to none. Certainly, employment growth is more difficult to achieve when you are working from a population base that's increasing pretty dramatically. But I think, nonetheless, we have a better than average record on virtually all of the economic indicators, despite the doom and gloom that is promoted. I think that only a retrospective look in January or February of 1986 will tell us what actually happened in 1985.

My sense in going from community to community, as I have over the last couple of months, is that there is a lot of optimism out there. Business development and tourism, along with IT and T, and Employment Services, are doing more than our share to promote Manitoba, to encourage business development. The fact that we stand to achieve the highest percentage increase in capital investment is testimony to the fact that Manitoba businesses do have confidence, notwithstanding the hard-fact summary that is presented by CFIB.

**MR. F. JOHNSTON:** Does the capital investment that you are speaking of take in government expenditures?

**HON. J. STORIE:** Mr. Chairperson, the summary that I am referring to from Statistics Canada indicates that in 1984 we had a 11.6 percent increase in investment in the primary sector of our economy, and 6.4 percent predicted for 1985; a 30 percent increase in 1984 in manufacturing, 21.6 percent predicted for 1985;



transportation, communication and utilities, 8.8 percent in 1984, and 5.7 percent in 1985; trade, finance and commercials, 20.4 percent in 1984 and 16.6 percent in 1985.

Along with our housing programs and, as I have mentioned, mineral exploration and oil exploration, I think contribute. When you look at all of the sectors we are doing extremely well; certainly, there has been an increase, as well, in the capital investment on the part of the government.

Obviously, the member is aware that a large part of that investment comes through the investment in the institutions, such as our education institution. The Minister of Education made an announcement of major capital investment in new facilities and the renovation and repair of some of the older schools and institutions, and the Minister of Health has announced a major five-year capital program.

So, yes, the province is investing, and that capital investment is reflected in the overall increase in capital investment in the province, but I don't think anyone would want us to apologize for that. Our educational institutions and our health and personal care homes are particularly important to Manitobans. They are an asset that we cannot afford to let deteriorate, and this government has no intention of letting that happen.

**MR. F. JOHNSTON:** Mr. Chairman, the Minister is confirming that institutions, such as schools, and all of the government investment is taken into the total investment and that the figures in the private investment is not put down '84 over '83, but it's certainly down. In '84 it isn't as high as it was in '81 or 1980.

Mr. Chairman, he mentions the Royal Bank and Statistics Canada. Statistics Canada figures are not that good, but the government used to stand up and praise the conference board and the conference board has predicted Manitoba to have the lowest real growth in Canada next year.

Mr. Chairman, I just heard a comment about what I said about the conference board. I used to have some criticism of the conference board when I was Minister, — (Interjection) — and I hear laughter from inexperienced young people - but I can say I was always aware and tried to keep myself aware that there were other people who made predictions as well as people who I thought favoured us - I always had to take a look at the ones who didn't favour us - and I used to sit in the House and answer questions about the conference board and have it praised by the members opposite as probably the best forecasting group in Canada.

When they were in opposition they regarded it very highly. Now all of a sudden it's not regarded highly at all and anybody who — (Interjection) — Mr. Chairman, I just heard that I'd changed, and obviously the young member again wasn't listening. So I have something against smart alec youth, to answer your question. But anybody who sits in their ivory tower and doesn't pay any attention to figures that they don't like, I would say is making a very grave mistake.

The obvious figures are presented to us by people who do factual surveys, and it would seem that it's not being regarded as important at all. In fact, it would seem that it's being just pushed aside as somebody

who doesn't know what their doing, and the CFIB has been doing this longer than most people in Canada. So, Mr. Chairman, if that is the Minister's attitude, that is only on his shoulders if he wants to disregard these facts.

Mr. Chairman, on the same survey, when it was published it was asked of the people and the businessmen in Manitoba, what taxes they would like to have removed, and No. 1 was, in Manitoba, the payroll tax was 34.7 against 18.5. The corporate income tax, they would believe 24.4 against 24.8; that's very close. Personal income tax 23.2 and 24.1; also very close. Property taxes 17.4 versus Canada at 18.4; very close. Fuel tax is 14.4 to 11.9. But there is no question that the business people in this province have made it known to, not just the CFIB, but they've made it known to many other people that this is a deterrent to small business and business in the Province of Manitoba.

I would like to know if the Minister is going to pay any attention to the fact that everybody is saying that the payroll tax is a deterrent to business in Manitoba?

**HON. J. STORIE:** First, Mr. Chairman, I haven't chosen to disregard the facts. I recognize that the Conference Board of Canada have made their predictions and they are somewhat less optimistic than the predictions of Statistics Canada and the Royal Bank.

I don't know that there is any way for either of us to claim that those are facts. Predictions are what the name implies - predictions only - and as I said earlier we will know in January, 1986 who is right and who is wrong. Obviously we tend to believe the more optimistic figures.

I can only tell the member what I said earlier, that I have travelled throughout the province from Tadou Lake to Emerson and I believe the mood out there is a lot more optimistic than the Member for Sturgeon Creek appears to believe it is. I believe the things I mentioned earlier obviously would lead one to conclude that all is not gloom and doom.

With respect to the payroll tax, certainly I'm not surprised at all, in fact, I'm pleased that the figure is only 34 percent - 34.7 I believe the member said - would like to see the payroll tax eliminated. If you asked individuals on an open-ended basis what tax would you like eliminated, I would hazard a guess that we could probably get 30 or 40 percent that would say, let's get rid of personal income tax. That doesn't mean they don't appreciate what taxes are used for and that there is a need for taxation, that it has a purpose.

The argument that has gone on with respect to the payroll tax is one that I'm sure pursued the Roblin Government when they introduced the sales tax. I'm sure that two years after the introduction of the sales tax, there were still those many businessmen among them who said, "This is not good."

I can only say, and I've said it in all honesty to the groups that I have met, the payroll tax was the most attractive of a very unattractive number of options. The member will be aware that in the pre-budget consultation meetings leading up to the introduction of the payroll tax, there were many communities, particularly those along the border who said, "stay away from the sales tax." I have explained on many occasions

the options that the government had and why that particular tax was chosen.

I would certainly be among those who would argue that, despite the fact that business do not like the payroll tax, that it has been no more of a deterrent to investment in Manitoba than any other type of tax which has been implemented in other jurisdictions.

I know that the Minister of Finance has quoted you the figures on investment and employment creation in the province and Manitoba has done quite well, thank you, from the period 1982 to 1985 compared to the performance of other provinces with respect to employment creation.

The member is also aware that in the 1984 budget, the payroll tax was removed from two-thirds of those businesses who were paying the levy. So there are at least two-thirds of the businesses or organizations who were paying the levy who no longer pay it. That numbered in somewhere around 18,000 businesses which were exempted from it. I don't think that anyone in this government has ever said that this was the greatest thing since sliced bread. What they said was it was the most attractive of some very unattractive tax options. It was implemented to raise revenue for a specific purpose, hence, the name Health and Post-Secondary Education Levy. That is not a name that stuck very long, it was soon called the payroll tax. We named it the Health and Post-Secondary Education Levy for two very good reasons: No. 1, we felt we were being treated unfairly with respect to equalization and that we obviously needed revenues; and secondly, because certainly small business, business people in general, benefit to a great extent from a healthy work force and from a well-educated work force.

The fact is that the province had to raise the revenue some way. I don't think there is any tax, whether it is 2 percent sales tax, or 4 percent personal income tax, or what other option you might want to name, that doesn't have some negative ramifications for someone.

So I appreciate the fact that business would like to see the payroll tax removed, and I wouldn't, the Health - it's too long to say - I appreciate the fact that they would like that to happen. I am sure that they would like to see the sales tax removed; I'm sure we all would like those things to happen. We have an obligation to provide services that Manitobans need and desire, and you have to balance revenue with expenditure. That's the bottom line, I guess.

**MR. CHAIRMAN:** 2.(a)(1) — the Member for Sturgeon Creek.

**MR. F. JOHNSTON:** Mr. Chairman, the Minister says it's the lesser of two evils, or the best thing that he had at the time, or the government had at the time. And now we are finding that the best thing that the government had at the time is a deterrent to investment in the Province of Manitoba and a deterrent to hiring people. Let me ask anybody that if they have the opportunity to invest and they have a province where there is not a tax on every job or person who they hire - and in Manitoba there is - what decision do you make?

Mr. Chairman, it is not only a tax that is disliked by business, you will find that, if you have travelled about the province, it's a tax disliked by nearly everybody in the province.

Mr. Chairman, but if the Minister chooses to defend the payroll tax that's entirely up to him. Mr. Chairman, the provincial problems that were asked about by the CFIB, overall, total tax burdens of provincial governments: in Manitoba 64.9 were opposed; against, 39.5 in the rest of Canada. In other words, the rest of Canada was an average of 34.9 and the survey that was taken said tax burden of provincial governments, 64.9 in Manitoba, versus 39.5 in the rest of Canada. Provincial regulations, which my colleague brought up today, red tape, paper burden, 41.1 percent of the businesses surveyed in this survey said in Manitoba, against 34.8 in the rest of Canada. The cost of municipal government was 29.5, versus 37.5 in the rest of Canada. Of course, labor laws were 27.6, versus 24.7.

But, Mr. Chairman, we also have a situation that its total tax burden of Provincial Government in Manitoba is regarded as businessmen worse than the average of Canada, and provincial regulations at 41.1 in Manitoba, much higher than the average of businesses in the rest of Canada at 34.8.

This all starts to sort of add up. We've got the payroll taxes; we've got the provincial total tax burden; we have the forecasts by some people that don't look good, so all of a sudden we start to have three or four saying that we have serious problems in Manitoba regarding small business, and the deterrent there is to small business to advance, yet the Minister does not seem to realize that it's a problem.

**HON. J. STORIE:** Mr. Chairperson, I have not said that there were not problems. What I have said is that despite the problems that exist, and I quoted the statistics that there is obviously some optimism out there because there are individual private investors who are prepared to invest, and there is going to be a significant increase in private investment in Manitoba in 1985.

We are talking about a survey again that was conducted, and I don't know whether the number of respondents is the same people that responded to the last survey, the survey the member was quoting from earlier. In terms of the perception that the Provincial Government tax burden is somehow more onerous than the taxation burden at the Federal Government, that may be a fair assessment of the perception. Certainly, and I wouldn't mislead the member or try and cover up the fact that in my meeting certainly the tax burden was an issue that was brought up consistently by small businessmen in my meetings. What isn't apparent, and I don't know whether that is a fault of mine or the government generally of not communicating, is the realization that the tax burden shared by businessmen in the province is really no better or no worse than the tax burden in other provinces.

I have a list of the various taxes, and I know the member has access to it because it was published in the Budget Address tabled by the Minister of Finance, which shows that in effect we are in the middle of virtually all tax categories. Our sales tax is eighth lowest in the country; our fuel tax, even after the increase is in the middle range and there is no province that levies fuel taxes that has lower than us - I don't have the figures in front of me. I can say that I have, for the benefit of these groups of people that have come out to discuss business concerns, gone over the question

of taxation and shown them statistically that we are the no better or no worse position than average. We are in the mid-range; in some areas we're better and some areas we're worse.

In terms of the payroll tax, the member talked about disincentive. I talked about the willingness to invest; I talked about the fact that we have a job creation record which is, in essence, second to none. We are working on that, and the fact is that other provinces have payroll taxes by other names. The Province of Quebec has a payroll tax that is 3 percent of payroll; the Province of Alberta, the Province of Ontario, I believe the Province of B.C. have premiums, health care premiums, that are paid by employers, or many employers, which is a disincentive even greater than the payroll tax in Manitoba.

I believe that there are many individual investors in the province and from other parts of the country and in the United States who look at Manitoba in a very positive light, who are prepared to in a very objective way, in a non-partisan way, review the overall picture in Manitoba and find it's a very attractive place to invest. I say without equivocation that in the total context of locating a business, Manitoba is as attractive as anywhere in the country.

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

**MR. W. STEEN:** Mr. Chairman, we've heard the Minister responding to the Member for Sturgeon Creek and so on, and I'd like to ask him outright. He says he knows of people in the private sector who are going to invest in Manitoba in 1985, and he knows that we're going to have a more successful '85 than we had in '84.

Can he tell us who are these new people who have all of a sudden fallen in love with this province as an investment climate and believe that they have the confidence in this government, that the Minister talks about that they have, and what types of businesses and what types of industries is he referring to when he's so encouraged by what he has heard as he has travelled throughout the province?

**HON. J. STORIE:** Mr. Chairman, I have mentioned several times about developments in the province that have tremendous positive implications for the province, whether it's the fact that the Minister of Industry Trade and Technology, on behalf of the Minister of Energy of Mines, indicated today that we have just had the most successful ever, financial and in other terms, leasing of mineral rights. I don't know what the official term is, certainly exploration.

I know in Northern Manitoba that mineral exploration is increasing at an incredible pace. There have been, I think, four recent discoveries in Northern Manitoba. There are many many companies up there investing in exploration activities at the current time. There are mines coming on stream.

I have indicated that Statistics Canada and others have indicated that there is going to be an increase in private investment of 8 percent to 10 percent in 1985. So all of those indicate that someone's coming here. Someone is investing. Someone has confidence and I have been through the province. I think businessmen and small business people are ready to

invest. I assume that that's partially because there is some sense that the recession is, if not over, the economy is stabilized, the belief that interest rates have modified and, for the foreseeable future, will be within a reasonable range.

We have many companies who are discussing or calling and in contact with us on a daily basis, whether it be for information, advice, to use one or other of the programs that are offered through the department. We have a new tourism agreement that is going to inject many millions of dollars of investment, private investment in particular, into the province.

We have a number of agreements with the Federal Government, ranging from forestry to mineral exploration, to technology and research development, that mean very positive things. That's the basis. I think it's partly mood. It's partly objective fact.

**MR. W. STEEN:** Mr. Chairman, the Minister in his opening remarks talked about Limestone, potash and oil exploration and so on. He has now gone on to extend his comments to talk about mineral exploration in Northern Manitoba and other businesses that he feels are confident, that they're going to expand during '85.

An area that he is much more familiar with than I am, let's take for example his own constituency of Flin Flon. Is Hudson Bay Mining and Smelting expanding more so in '85 than they did in '84? Are they employing more people in '85 than they did in '84? Is the number of man days greater now than it was in '84?

**HON. J. STORIE:** I don't know to the man whether there is any more employment in '85 than '84. I do know that the company has once again taken on a good contingent of summer students, which is an extremely positive thing for the community. I do know that HBM and S is involved in a number of exploration ventures.

As the member knows, the base metals industry went through a severe slump. Many companies had financial difficulties. I'm pleased to say that HBM and S, because of good management and perhaps good sense, was one of the more successful in terms of weathering that storm. But I do know that there have been important mineral finds, and that there are mines being developed in my constituency. That's got to be positive.

In terms of small business, we have seen - Manitoba, I believe, has had the highest percent increase in retail sales over the last number of years. We have a strong economy, one that has I suppose, supported small business, because the retail trade sector frankly is what fuels much of our small business activity.

In 1984, we saw a 10-percent increase in groceries and foods; and a 14- or 15-percent increase in motor vehicle sales; and a 12-percent increase in service stations and garage part sales; and a 14-percent increase in furniture and appliance sales, all of which — (Interjection) — pardon me?

**MR. F. JOHNSTON:** Where are those products made?

**HON. J. STORIE:** Many of them are made here. I can't argue where they're made. I am simply saying the fact that there are dollars circulating in the economy, the fact that we have an increase of 40,000 people in the province - how many establishments, how many small

businesses can be maintained by 40,000 people? That's a city the size of Brandon. How many businesses are in Brandon?

So the fact that those people, that our population has grown, have contributed to the strength of our small business sector. All of those things, the population increase, stability of interest rates, the fact that other sectors of the economy are taking off, I think should lead most Manitobans to be optimistic about 1985.

**MR. W. STEEN:** Mr. Chairman, I haven't been to Flin Flon, other than to go to the airport and take off again to go fishing in recent years, but I have been to Thompson. In recent years when we've been to Thompson, you've seen vacant stores; and Thompson, I would say, has less square footage of store space and business locations. Thompson likely doesn't have any more than Flin Flon would have in the way of store outlets, because they have larger ones because of it being a much more modern city than Flin Flon.

But has the Minister in his travels back to his constituency noticed what was perhaps vacant store locations a few years ago now are occupied storefronts, and what was perhaps, as we so often see in Winnipeg and in other larger communities, a vacant service station on a corner that sits vacant for a number of years? Now occasionally we do see the odd one being developed, in my opinion far too many of them in the fast food and restaurant business, because I have noticed so many of them that change hands so rapidly. But is he noticing, because of the exploration in Flin Flon, a change in the mood in the business community on the Main Street of Flin Flon?

**HON. J. STORIE:** I appreciate the fact that the Member for River Heights has noticed that things are starting to happen, and I appreciate that acknowledgement.

I invite you, first of all, to Flin Flon, home of the Flin Flon Trout Festival - that's an advertisement - and probably the most beautiful community in Manitoba.

**MR. W. STEEN:** We'll give you a second chance during the Tourism aspect.

**HON. J. STORIE:** Before I get maudlin, let me continue. I certainly invite you to Flin Flon. I think that anyone who has been in the community, or knows of the community over the last few years, can see a significant change in the community. The member talked about new business establishments. A friend of mine just opened a new business in Flin Flon, just opened about three weeks ago or one month ago, and there are many other businesses who have been in contact with business development as a matter of fact. So I think things are starting to happen there, certainly, and in other communities in the North. I sense some optimism there, and the mineral exploration, which is the basis for much of the activity in the North, spurs that kind of confidence on.

**MR. W. STEEN:** Mr. Chairman, I ask the Minister if there has been a Main Street Manitoba Program announced for Flin Flon, or . . .

**HON. J. STORIE:** Announced and completed.

**MR. W. STEEN:** And completed. All right.

Tell me, what has the Main Street Project done for the businesses on Main Street in Flin Flon? Has it made a world of difference, and can you cite a couple of examples? I know that the one on Osborne Street here in Winnipeg, what we call the River-Osborne Village, makes it a much more pleasant street for pedestrians to go from store to store on. Does it bring any more dollars into the businesses?

**HON. J. STORIE:** I don't have any statistical basis for saying this, other than to say that the Main Street Manitoba requires the co-operation of the local businesses and I say, with a good deal of pride, that Flin Flon businesses co-operated to the fullest extent with the program. Many of them upgraded their facilities and improved the look and, of course, as the member knows, if he has seen what the end result of one of those projects is, the result is pleasing to the eye. Certainly in a community where, although Flin Flon per se does not rely in any major way on tourism, it is an important component of our economy. An important component of communities like the Community of Cranberry Portage and, to the extent that our downtowns, our main streets, are appealing, I don't think there is any doubt that it will have, in the long run, a very positive effect. I think it's pleasing to local citizens, but probably equally as important, it leaves a good impression to those who visit our communities. I'm pleased to tell the member that the Community of The Pas has just announced their Main Street project will get under way. The Community of Cranberry Portage, which is also in my constituency, has taken advantage of Main Street, their project will be completed this fall. One has been approved for the Community of Snow Lake and some 27 other communities throughout Manitoba. It does a lot for the sense of pride in the community, and I think it makes them more attractive and interesting places to visit.

**MR. W. STEEN:** Mr. Minister, my colleague, the Member for Sturgeon Creek, was discussing earlier with the Minister the payroll tax, as we call it; the Minister chooses to call it something different. I might ask the Minister where did the name "payroll tax" come from then?

**HON. J. STORIE:** Yes, I was just going to add about Main Street Manitoba. I understand that Mayor Friesen of Morden has indicated that his Main Street project has allowed that community to compete with Winkler which has malls. So, as you suggest, what the Osborne development has done for the main street of Osborne, I suppose Main Street Manitoba has done for other communities.

**MR. W. STEEN:** My question was that the Minister of Business Development and my colleague, the Member for Sturgeon Creek, was discussing the payroll tax with him and he was calling it the - meaning the Minister - education and health tax. Was he implying that perhaps the opposition was the group that labelled it the payroll tax?

**HON. J. STORIE:** I would never impute motives.

**MR. W. STEEN:** All right. I just wondered, because if you were going to give us credit for labelling it the payroll tax, I was going to say then we did it without a Communications Branch and so we've done fairly well then with limited staff.

Another area that the Minister, when he's discussing business problems with his Cabinet colleagues and so on, and I'm not going to belabour the payroll tax any further because I think my colleague covered that fairly well, is the hydro. When the hydro freeze was on, all Manitobans got the advantage of the hydro freeze, whether we be residential persons or persons in business, and I've had numerous business people say to me that they thought that the hydro freeze was very fair - and naturally they liked it because it kept their rates lower - and the lack of funds for the Hydro had to be picked up by general revenues.

So, therefore, to the Minister, I feel that when you have the hydro freeze, that the larger businesses, the persons that use more hydro in their residences and so on, the so-called rich capitalists are really the people who are paying for hydro. They pay for it because they are the larger users; they are the people who pay the greater amount of income tax; they are the people who pay the most in the way of sales tax because they're the larger consumer; and they usually are the people who pay the most in property tax. So, when you have a hydro freeze on it is very beneficial to the small home owner or the small business person, because the large consumers of hydro and other products are the people who are paying the larger share of taxes.

So, therefore, if I were this Minister and wanting to do the job that I'm sure he does for small business, I would be encouraging his colleagues in government to come up with either a hydro rate freeze or, even better, for someone who starts up a new business in Manitoba that you freeze their hydro rates at today's current rate for the next five years to give them a form of assistance to get them started.

What we're trying to do here in Manitoba is to see more manufacturing and, as the Minister mentioned just a few moments ago, the number of car sales and the percentage that they were up over the previous year and the number of other items. The Member for Sturgeon Creek said, "well, where are they manufactured?" Well, we all know that cars are not manufactured in Manitoba; they are just purchased by Manitobans. But what we want to do is increase the manufacturing in Manitoba in every way, shape or form, and I think that the greatest area that the Minister and his colleagues can look into is coming up with a stabilized, perhaps a reduced hydro rate for new-found manufacturers in Manitoba, and give them a break for a five-year period, perhaps a period somewhat longer than five would be necessary, but someone who establishes a new manufacturing business in Manitoba, give them a break.

It was mentioned in Public Utilities Committee the other morning, people were talking about whether Manitoba Telephone System should have the exclusive rights over the hardware, the telephones that you and I use in our homes, and members from my side of the House were arguing that we should have businesses in Winnipeg that are selling homes and so on and that telephones shouldn't have exclusive rights. The reason why I would agree with that concept is that the telephone

system never made a telephone in its life, they're all purchased from the United States, even the ones that are sold on Donald Street by someone who has a creative business and is paying business tax and employing people. They still buy them from IT and T and Northern Tel and so on, and they don't manufacture within the Province of Manitoba.

So, if we can get away from the monopoly of having the telephone system being the only person who can sell or distribute the hardware, we might see some other jobs and other entrepreneurship expanded within the Province of Manitoba in the form of new businesses. Us, with the Province of Manitoba embarking on the major Limestone project and banking on the fact that we're going to export our excess product, or hydro consumption, to the Northern United States is going to give the Americans in Minnesota and North Dakota an advantage over Manitobans with hydro, so that they can operate their manufacturing plants at an advantage over and above what a Manitoba manufacturer is.

The reason why I say that the advantage is with them is that the price that the northern hydro components will be paying for the product is based on coal prices

**MR. CHAIRMAN:** A point of order is being raised.

**MS. M. PHILLIPS:** A point of order, Mr. Chairman. It seems to me we were debating the Estimates of the Department of Business Development and Tourism. I think the comments that the honourable member is making are better made at the Public Utilities Board to Hydro or to the Telephones.

**MR. W. STEEN:** Mr. Chairman, on the same point of order, I am trying to relate the hydro consumption and the use of hydro to small businesses in Manitoba.

I cited the example of the Telephones, and I know that Public Utilities has dealt with Telephones. I was citing the sale of the piece of hardware, the telephone receiver; not how the Telephone System operates, other than the fact that I think that the hardware, if it is sold privately, creates jobs. The Minister of Business Development, Mr. Chairman, his role within his government is to promote business development, in my opinion; otherwise, I think that we should change the title of his department then.

What I am trying to point out to him, and perhaps he knows it and maybe he will agree with me, that if Manitoba manufacturers, and particularly new ones, get a break from Hydro in the cost of hydro and then if you operate any manufacturing plant, the greatest component outside of expense that you have is hydro. What we need is manufacturing in Manitoba for two purposes; one is for sales, and the other one is for jobs and in order to create the sales, you need the hydro component.

I say if the Americans in North Dakota and Minnesota are able to buy hydro at a lower rate in the future than we as Manitobans pay, the jobs in manufacturing are going to locate in North Dakota and not in Manitoba. I, like the Minister, want the jobs in Manitoba, if possible.

I would encourage and ask the Minister to give serious thought to discussing with his colleagues the possibility of a reduced rate or a frozen rate for hydro consumption

of new manufacturing plants. I ask the Minister if he would agree that such a concept is worthwhile looking at.

**HON. J. STORIE:** Mr. Chairman, first, with respect to the hydro freeze, I suppose it's like any idea. You shouldn't dismiss it out of hand. I think the fact is that we have in Manitoba the lowest hydro rates in Canada, certainly for bulk users I believe that's the case, and probably in the world. So we have very low hydro rates to begin with.

The second of all, and the question of a hydro freeze is seductively simple, but the fact is that it costs Manitobans nonetheless. The idea that somehow you put on a hydro freeze and all Manitobans get a free lunch, as the member knows, is not accurate; that tens of millions of dollars were paid out of general revenue to support that hydro freeze. So there is a cost.

Given that we have low hydro rates - it's acknowledged throughout North America that we have low hydro rates - I don't know that that's the most attractive way to approach the problem. It is true and, obviously, we would have to look at all avenues to make this an attractive place to invest money. We are looking at different alternatives.

Certainly, the question of a hydro freeze was never mentioned in my consultation with businessmen throughout the community, or business people throughout the province. There were a number of concerns, a number of suggestions about how one might go about attracting and providing incentives for business development, but that was not mentioned per se.

I said previously that there was one point of consensus amongst the people whom I met with. It was that interest rates were the most vexing problem that small businesses face. Certainly, we have been looking at a whole range of ways to enhance our attractiveness in terms of business development.

The hydro freeze, I suppose, is something that can be looked at, but it's not without its pitfalls as well. Certainly I don't think there is any evidence to support the conclusion that the hydro rate freeze actually did a number for Manitoba in terms of attracting investment. I don't know of a single case where a business located and said, yes, that's the reason we located in Manitoba.

There are many many reasons for a business making an investment location choice. It includes a whole range of different factors, and we have a number of other features which make us an attractive place to invest apart from the fact that we have low hydro rates.

**MR. W. STEEN:** Mr. Chairman, I would guess that the Minister missed the comment that I made when I was talking about Hydro. I said that when there is a hydro rate freeze, yes, somebody has to pay for it; it came out of general revenues. The persons who contribute the most to the general revenues are the so-called rich, the large companies, the larger earners. The middle to upper income people are the people that contribute the most to the general revenues.

**HON. J. STORIE:** I believe that that's factually inaccurate. In Canadian terms, I know that it's

inaccurate. In fact, there was at one time, I believe, and I don't know how long ago it was, a major portion of the taxation revenue came from corporations and that's since turned around. I believe that . . .

**MR. W. STEEN:** I said both the large corporations and the higher earning individuals. The persons in the low income scales have enough deductions that the amount of tax they pay is far less in relation to their income than the person that's earning the larger income. So when you are taking and talking about a hydro rate freeze, it is benefiting everybody. But who is paying for it through general revenues? The more successful people, the people that earn the dollars, in my opinion.

But anyway, when you are talking about manufacturing, there are a number of components. There are wages, and there is no point getting into the minimum wage because anybody that's in most manufacturing plants is well above the minimum wage. The minimum wage, in my opinion, doesn't have a great reflection on somebody who is earning two-and-a-half times the minimum wage. It does in the areas where there are companies that want to stay slightly above the minimum wage.

I mentioned earlier today regulations, and my colleague the Member for Sturgeon Creek, mentioned that government regulations are a factor that inhibit business. Taxes, no doubt, whether they be taxes of any variety and, certainly, I think the one that - and it's been belaboured by the Member for Sturgeon Creek tonight - is the payroll tax.

I mentioned in a manufacturing plant one of the larger expenses is power, whether it be hydro power in Manitoba or whether they be down in the United States, in North Dakota, where they use a lot of coal.

Then the last thing which the Minister made reference to, and one area that I want to ask him about, is the interest rate. He said that in his travels throughout the province and discussing businesses with business people, one of the areas that they mentioned to him on a regular basis was interest rate relief.

I noticed in his Annual Report that there is a section, Manitoba Interest Rate Relief Program for Small Businesses. It says, "receive up to \$6,000 a year for a two-year period." Can the Minister indicate how many businesses took advantage of it, and what was the total amount of assistance that government gave in the way of interest rate relief?

**HON. J. STORIE:** Mr. Chairperson, the Interest Rate Relief Program supported about 620 small businesses, I believe somewhere in that neighbourhood. Those 600 businesses employed somewhere in the neighbourhood of 2,000 people. So, again, the Interest Rate Relief Program, and I've talked about it before, was extremely successful in terms of supporting businesses experiencing difficulty. I think the fact that we were able to maintain 2,000 jobs is no small feat.

The total value of assistance provided over the first two years of the program was \$4.8 million. The number of jobs, to be specific, was 2,050. All different sectors of the economy received assistance; 41 percent of the assistance was service-receiving; 34 percent, retail; 22 percent, manufacturing; 2, tourism; and 1, wholesaling. The majority of our clients were rural, as well, some 66 percent.

I should indicate as well that there was some skepticism on the part of the opposition when this program was initially announced that this assistance would be too little, too late. The fact is that more than 90 percent, I believe - in that area, some 90 percent - succeeded, were able to stay afloat. Of course, in many cases, testimonials that came back to the department indicated that, while the level of assistance provided through MIRPP was appreciated, what had made even perhaps a more important long-term difference was the counselling that went along with it.

So it was a very successful program. 2,000 jobs is - you know, if we lost them to get them back would take a mega mega project.

**MR. W. STEEN:** Mr. Chairman, to the Minister, the assistance was made up of 50 percent grant, 50 percent repayable loan. On the Interest Rate Relief Program, did you pick up the total interest that the businessperson had outstanding, or a portion of the interest that person had, and then you forgave him 50 percent of your portion and he paid back 50 percent of your portion?

**HON. J. STORIE:** I don't think that's how it worked. What happened is there was an assessment of the needs, and a support level was established. It was independent of the interest that the individual was paying on his loan or loans. So it wasn't a subsidy, in effect, that was attached to a specific loan that was outstanding; it was independent of that.

It was done that way for a particular reason, and that is that we did not want to appear to be subsidizing what we figured were usurious interest rates.

**MR. W. STEEN:** Was the participation of the province, did it vary depending whether, let's say for example, the businessperson had a 10 percent rate in Case A; Case B it was 12 percent; did that make a difference on the province's participation?

**HON. J. STORIE:** No, Mr. Chairperson, that did not matter, although . . .

**MR. W. STEEN:** Keeping in mind the maximum.

**HON. J. STORIE:** Yes, keeping in mind the maximum and the need.

**MR. CHAIRMAN:** Can we pass this item so we can start afresh next time?

The Member for River Heights.

**MR. W. STEEN:** One more area that I would like to ask the Minister, is the . . .

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

**MR. F. JOHNSTON:** The assistance program was a 50 percent grant and a 50 percent repayable loan, and the program was for a two-year period. Is the government now receiving the loan payments?

**HON. J. STORIE:** Yes, we are. The Manitoba Development Corporation is the body that is responsible for the review and collection of the loan portion of the assistance.

**MR. F. JOHNSTON:** You turned the program over to them to evaluate the loan? Are you saying that they evaluate whether it should be paid back or not, or should be extended? They have the responsibility of collecting; are they collecting?

**HON. J. STORIE:** Yes, Mr. Chairperson, they are collecting it. The program was designed to include the provision that MDC should collect the loan portion of it. They are collecting and, as I indicated, I believe approximately 8 percent of the firms that did receive support have since gone out of business. The remainder, the remaining 92 percent of the loans outstanding will be collected and, I understand, are being collected with very little difficulty over the next, I guess, year or two years.

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

**MR. W. STEEN:** In the Small Business Development area where it says, "Staff consultants provide direct support in assisting people," is what is meant by that businesspeople coming in to see the department people and there is no fee charge? This is exclusive of the program where we had the retired businesspeople that do it for a fee-for-service, or the MBA students, or even an outside consultant? This is strictly staff people doing it who are salaried that fall under that Small Business Development section?

**HON. J. STORIE:** I'm not clear on what page the member is referring to.

**MR. W. STEEN:** I'm referring to an item that's on Page 8 of his Annual Report.

**HON. J. STORIE:** Small business counselling?

**MR. W. STEEN:** Yes, development.

**HON. J. STORIE:** Yes, that refers to consultation that occurs from the centre.

**MR. W. STEEN:** Then the applicant or the person coming in, are they charged a fee for that consultation?

**HON. J. STORIE:** No, the consultants that are on staff provide that service free.

**MR. W. STEEN:** All right, okay.

Mr. Chairman, if you wish, you can pass 2.(a), please.

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

Resolution No. 23: Resolved that there be granted to Her Majesty a sum not exceeding \$3,105,300 for Business Development and Tourism, Business Development, for the fiscal year ending the 31st day of March, 1986—pass.

Maybe this is the time now for . . .

**A MEMBER:** Committee rise.

**MR. CHAIRMAN:** Is that the pleasure of the committee? Resolution—pass.  
Committee rise.

## SUPPLY - FINANCE

**MR. CHAIRMAN, P. EYLER:** The committee will come to order. We are considering the Estimates of the Department of Finance, Item 2.(a) Treasury Division, Salaries - the Minister of Finance.

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

Further to the discussions on Manitoba properties, incorporated this afternoon, it would be correct to add the two numbers together, as suggested by the Member for Turtle Mountain on a previous occasion, at 263 and the 36 million to come up with the total cost of public debt estimated for the year and add them together. — (Interjection) — That's right; that would be the appropriate amount.

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

**MR. B. RANSOM:** Thank you, Mr. Chairman. I'm not so sure why it took us so long to arrive at that conclusion. That seemed to the Minister and I, I think, both from the start to be the way that it had to be done in order to determine what the real costs were.

Just before we broke at 5:30, the Minister had indicated that one of the possibilities that they were considering for Hydro financing was a situation where they would be paying 20 basis points above the Treasury Bill rate over a 10-year period, and he had confirmed that that would be a fluctuating rate. I certainly express some grave reservations about that, and perhaps my interpretation of it is incorrect, but the Minister was about to get to his feet at the time and make some comment on that. I would be pleased to hear more about that idea and about any others, because I repeat again, Mr. Chairman, when the province and Manitoba Hydro are undertaking a \$3 billion development that is going to double the debt of Manitoba Hydro, it seems to me that we should have a pretty definite idea at this point in time about how that project is going to be financed.

**HON. V. SCHROEDER:** Yes, Mr. Chairman, I think we have to keep in mind that although the dollars are different, inflation has ravaged them considerably as well, and we're talking about a project of the same magnitude as the last large dam approximately, not something that we haven't undertaken in the past. It's not something that we should undertake lightly. Nobody disagrees with that.

I was indicating to the member some of the proposals that had come forward. I'm not sure that if you looked at that particular kind of proposal and you tracked it over a 10-year period that you would come out with a - and I would say any 10-year period - worse overall rate than any other kind of loan we've made in the past. Just for example, the T-Bill rate right now is about 9.82 which would mean an effective rate of 10 percent and that's approximately where it's been for sometime now. As the member suggests, it has gone up well above that on occasion. Of course, loans sometimes come due at times when rates are quite a bit higher as well depending on the amounts. I certainly couldn't see us doing the whole thing in that way. I understand,

in addition, that particular proposal was that we would have the right to cancel that loan and to pull out of it after a three-year period. I'm not suggesting that we have made any kinds of favourable decisions on those kinds of loans. They have come forward. We're asking other people to come forward by the end of June and we will do some analysis. In the past we've done — (Interjection) — what an idiot. What an absolute idiot!

**A MEMBER:** You're the idiot.

**HON. V. SCHROEDER:** Mr. Chairman, there has never been a time, never in Manitoba history, never, that the financing has been in place before a project has started on our hydro-electric system, never. And for the member to suggest now that there's something wrong with us not being in the same position that we have been historically is absolutely ridiculous. It would be foolish to fix up some price now, to fix up some terms now, before we know exactly where we're going to finish up exactly, what rates are going to be down the road and that is playing little games. — (Interjection) — That is playing little games, Mr. Chairman.

**MR. B. RANSOM:** Mr. Chairman, the Minister made reference earlier to off-book financing as a possibility. Exactly what did the Minister have in mind when he made that reference?

**HON. V. SCHROEDER:** Financing that would not be guaranteed by the province. I believe, for instance, that kind of financing took place in the Province of Quebec within the last few years on a major project.

**MR. B. RANSOM:** Under those circumstances, who would be guaranteeing the loan and where would the revenues be going? Where would the revenues come from to repay the loan?

**HON. V. SCHROEDER:** Manitoba Hydro would be guaranteeing the loan. The funds would be coming from the proceeds of the contract.

**MR. B. RANSOM:** Is the Minister saying that Manitoba Hydro can finance this without the guarantee of the province?

**HON. V. SCHROEDER:** That's been suggested to us, yes.

**MR. B. RANSOM:** Does that mean that Manitoba Hydro would have a better credit rating than the province? What's the advantage to doing it that way?

**HON. V. SCHROEDER:** No. 1, it would not be a debt of the province. It would not be a guaranteed debt of the province. — (Interjection) — That man sitting here all evening and laughing, is that what we're going to have to put up with?

**MR. B. RANSOM:** Mr. Chairman, if the Minister is so sensitive, perhaps he should be in another arena.

Mr. Chairman, what is the advantage, if it isn't on the province's books, is Hydro able to get a better rate by not being guaranteed by the province? Or what would be the advantage of going that way?



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**HON. V. SCHROEDER:** Yes, in some markets it would be considered that there are less obligations required of the Provincial Government.

**MR. B. RANSOM:** There would be what?

**HON. V. SCHROEDER:** Less obligations required of the Provincial Government.

**MR. B. RANSOM:** That obviously would mean that the province could not proceed then to divert any revenues from Manitoba Hydro as is presently the intention?

**HON. V. SCHROEDER:** Not necessarily.

**MR. B. RANSOM:** Mr. Chairman, is the Minister telling me that Manitoba Hydro could finance it on their own without the provincial guarantee, and the Provincial Government could still siphon revenues away from Manitoba Hydro?

**HON. V. SCHROEDER:** Mr. Chairman, I wouldn't use the word "siphon." I would say that the people of Manitoba, as he knows, have been subsidizing hydro rates for quite some time and we would expect to get our money back.

**MR. B. RANSOM:** Well, this is extremely unusual, Mr. Chairman, to think that Manitoba Hydro could get a better rate on its own, as opposed to being backed by the Manitoba Government, but the Manitoba Government could still take revenues away from Manitoba Hydro, revenues that are generated by the dam that Hydro would be borrowing money for. I'd like to know why that could be. Is the province in such bad shape that Hydro, on its own, giving some of its revenues to the province, would be in better shape?

**HON. V. SCHROEDER:** I would appreciate it if the member didn't try to put words in my mouth. I never suggested that the rate would be better for Hydro off the books than it would be on the books.

**MR. B. RANSOM:** Well then why would Hydro want to borrow off-book at a worse rate than they could get if it was guaranteed by the province? What would be the advantage of borrowing at a worse rate?

**HON. V. SCHROEDER:** I didn't say it would be at a worse rate.

**MR. B. RANSOM:** Mr. Chairman, the Minister obviously is not being very forthcoming in providing any information. Why can't he give some information about how they intend to finance this? We're talking about a \$3 billion development. Usually, he's prepared to stand up in question period and he'll speak for five minutes, if he's allowed to. When he's asked a question in Estimates, when he is expected to provide some detail, we can't get anything out of him.

**HON. V. SCHROEDER:** It would be rather foolish to explain to the member how we're going to finance the project when I've already told the member that we are asking for proposals, and that we're expecting

proposals by the end of June. Why would I now be saying what we're going to be doing when I am asking for proposals?

**MR. B. RANSOM:** The Minister has made suggestions about how it might possibly be done. So, in principle, I'm asking him what's the advantage? He talked about it might be off-book financing. So I'm asking him, what would be the potential advantage of off-book financing? Simply to get it off the books of the province, is that the advantage? I'm asking him a straightforward question. I would hope that I could expect to get a straightforward answer from him.

**HON. V. SCHROEDER:** Mr. Chairman, I have indicated that, in some markets, people look at gross debts and guarantees and so on and, in others, they don't. Where they view the guarantees as being part of the overall potential commitments, obviously, if we don't have a guarantee it will put us in a better position.

**MR. B. RANSOM:** Obviously the Minister is becoming concerned then about the total amount of debt that the province is carrying — (Interjection) — are we going to have to have that man speaking like that all the time, Mr. Chairman?

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

**MR. B. RANSOM:** We haven't heard a question out of him for some time in question period.

It's certainly a new concept that we have not heard expressed, a new concern that we have not heard expressed by the Minister or the government before, that the total debt that we have is causing that much trouble when the government is trying to raise money. It would seem that the discussion about the credit rating earlier this afternoon perhaps is tending to underestimate the significance of the reduction in the credit rating, because it does seem to be significant now, the total amount of debt that the province has when it comes to finance a project of this nature.

Mr. Chairman, what is the government's current policy with respect to foreign borrowing? What are their priorities now in terms of which markets they would borrow in?

**HON. V. SCHROEDER:** Mr. Chairman, I have always been concerned about the amount of the debt and I, like any other responsible Minister of Finance, would want to present our province in the best possible light.

If there are markets, as we are told, to whom it would make a difference if we were not guaranteeing a debt and that there was no more cost, then it would be clearly rather against our interest to go ahead and guarantee them if we don't have to. That's what some other jurisdictions, as I indicated, the Province of Quebec had recently done.

In terms of borrowing, we are basically saying, as we have for some time, that we feel that once government, Cabinet, makes its decisions as to the program for the year - capital construction, current account expenditures and taxation levels - and what remains is the amount to borrow, including renewal of existing loans. We believe that it is appropriate to listen

to the advice of our people who are running our affairs in the Department of Finance so far, as we believe that advice has been very good advice, and we are continuing to follow it.

**MR. B. RANSOM:** And what's the advice that the Minister is getting now in terms of where they should be borrowing?

**HON. V. SCHROEDER:** At any given time, Mr. Chairman, the government looks to all of the markets that are available. It looks at the interest rates charged, the foreign currency exchange risk, and recognizing that we don't want to get overexposed in any particular market, we look at a variety of areas to do the borrowing.

I suppose the recent borrowing in some senses, speaks for itself. It's been in a variety of currencies. It has avoided currencies where there are very very high rates of interest, and it has avoided currencies where there is some real question as to the exchange rate going against us in any significant way. On occasion, even where we felt that there was some threat, borrowings have been made and then swabbed into other currencies; I am not too sure how successful.

**MR. B. RANSOM:** It used to be that, I think last year, if the Minister had been asked that question, he would have answered that his first priority would be in Canada and the second in the United States and the third elsewhere, if he didn't rank three or four. I take it at the moment that it is not that clear-cut. You're simply taking targets of opportunity.

**HON. V. SCHROEDER:** No, they haven't. I suppose to some extent that's correct. If you look at the history of borrowing during our term in office, actually we have not been in New York on loans. We've done some U.S. dollar denominated loans. We've done some European U.S. dollars, or one I believe, but most of it has been in currencies other than U.S.

We've done more Canadian than has been traditional, and we've been outside as well. Of course, it's really been the U.S. dollar borrowings where we have been badly burned.

**MR. B. RANSOM:** One question that I had neglected to ask the Minister earlier concerning Manitoba Properties and the sale of certain buildings to them, were the titles to individual buildings actually transferred to Manitoba Properties Incorporated?

**HON. V. SCHROEDER:** Yes, Mr. Chairman, that's in the process of happening.

**MR. B. RANSOM:** Will the government be paying standard fees for the registration of the titles with respect to those buildings?

**HON. V. SCHROEDER:** I'll check into that and get back. If you're talking about the tariff fees . . .

**MR. B. RANSOM:** No, the land titles, the registration of them.

**HON. V. SCHROEDER:** Oh, the registration fees in the Land Titles Office. Yes.

**MR. B. RANSOM:** What kind of assumptions is the Minister and the department making now about interest rates over the next few years? What are their expectations as they look ahead to project where the deficit might be going and provincial growth and that sort of thing?

**HON. V. SCHROEDER:** Well, it seems that whenever I ask for advice on that, it's always on the one hand, and on the other hand, and people are saying the same thing to me this evening. Some of our advisors are indicating that rates should be coming down over this year and next year and others are saying that may not be the case. The departmental view at this stage is that Canadian rates will come down later on and, at this stage, while we're waiting for that, we should be looking at European and Japanese markets for borrowings because the rates are so very much different.

**MR. B. RANSOM:** There are some figures provided in the last prospectus dated April, 1985, on Page 42, Estimate of the next five years, payments on foreign debt, and there is a line for interest projected through to 1989-90. What assumptions are made to make that projection?

**HON. V. SCHROEDER:** Mr. Chairman, that's based on existing debt, there is no new debt included in there.

**MR. B. RANSOM:** But there is a line that shows an interest cost projected from 1985-86 through to 1989-90. I am assuming, in order to calculate an interest cost, they have to make an assumption with respect to a rate — (Interjection) — no, in interest. It says interest according to the prospectus, and I'm just wondering what kind of an assumption is made here.

**HON. V. SCHROEDER:** Mr. Chairman, if we're talking about existing loans, the rates would be as per the existing loans over the next five years. Maybe I'm missing something.

**MR. B. RANSOM:** So they're all set then?

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

**MR. B. RANSOM:** Okay, so these are all the established loans then that, to some extent, will be paid off during that period of time. I assume that's why the figure is declining then, the repayments that will be made during that period. Now, where it shows total debt service, is this for the province's own borrowing, aside from borrowing for Hydro, or might Hydro and telephone be put in there as well? What I'm interested in is, where there's a projection that might show where the total debt servicing costs of the government are going over the next few years, and this figure gives some indication, but I'm wondering just how much of it is an indication, or what it actually indicates.

**HON. V. SCHROEDER:** If you'd wait a few minutes, I should be able to get that answer fairly quickly.

**MR. B. RANSOM:** Has the Minister made any sort of projection, in total, then on where the government's

debt servicing costs would be going over the next three years, or five years if this, in fact, doesn't appear to be the total amount, because this actually shows an amount that's somewhat in excess of what the Estimate this year would show? Has the Minister made that kind of projection as to where debt servicing is going, given certain assumptions of provincial growth and expenditures of the government?

**HON. V. SCHROEDER:** Well, Mr. Chairman, there is no fixed estimate. There are internal projections occasionally made for a three year period, using a variety of assumptions, coming up with different numbers. Clearly, though, the trend is upward; for anyone who would suggest otherwise would be flying in the face of reality. We are looking at, overall, just for government, in capital requirements of .5 billion this year, I don't believe anyone in the province would expect, for instance, that next year we would be looking at no new requirement. Whatever the new requirement would be basically is an addition, or means an addition to where we are now. That has been the trend, as I indicated, quoting from Moody's this afternoon, since 1978.

**MR. B. RANSOM:** Does the government make any projection, making different assumptions as to growth and interest rates? There has been debate about the Northern States Power sale, for example, we have always been assured that there's been all sorts of sensitivity analysis done with different sets of assumptions. It seems to me that when we are dealing with a provincial expenditure that in one year it's running higher than the cost of building Limestone, that the same sort of sensitivity analysis would be useful. Are those kinds of projections made?

**HON. V. SCHROEDER:** Yes, we do use a variety of assumptions with respect to interest rates and also with respect to what is reasonably expected to be new debt in the coming years, and what approximately would be a reasonable rate of interest on the new debt.

**MR. B. RANSOM:** Is the Minister prepared to make any of that information available? It's the sort of information I believe that the Federal Government makes available. We know that often their projections are wrong, but at least they give a range of what one can expect to see happen. It might be useful if that information had wider distribution.

**HON. V. SCHROEDER:** Well, Mr. Chairman, as I understand, it had never been done. That doesn't mean it couldn't be done now. Those numbers take into account many assumptions that are made by staff people that may or may not come true in terms of what government policy will be over a period of time. Government policy does change and can change these numbers quickly. There are a whole host of inputs that can be rapidly changed, and I don't think it would be useful for anyone to have a whole set of conjectural numbers out there that take as fact decisions that have not been made by government.

**MR. B. RANSOM:** Well, Mr. Chairman, the Minister obviously doesn't have to make it available if he doesn't

wish, but they are only projections. They are "what-if" kinds of projections. It seems to me that that's the kind of thing that anyone planning for the future management of the province has to have in order to be able to see where they are going more than the one year ahead.

Perhaps the Minister has an answer to that previous question.

**HON. V. SCHROEDER:** Mr. Chairman, I believe the member was referring to Page 42 of the prospectus, and the numbers there refer to debt outstanding. I'm sorry; this is March, 1984.

**MR. B. RANSOM:** April, 1985.

**HON. V. SCHROEDER:** I am told that it's the same table updated for that particular program. If that's the case, then that would be debt outstanding currently, and it is direct debt as opposed to debts of Crown corporations. Any Crown corporations or external agencies that will be guaranteed the debt would not be included in those numbers.

**MR. B. RANSOM:** Why is it that in the Estimates, there is a figure of \$263 million, I believe it is, for debt servicing, plus the \$36 million for the property rental and you get 299; whereas the total debt service shown here for '85-86 is 330 million. Is there something that hasn't been netted out of that figure? Why does this one come to so much more than the figure shown in the Estimates?

**HON. V. SCHROEDER:** I am going to have to get back on that one. We are going to get the new prospectus to see why that is. I don't have an explanation for it.

**MR. B. RANSOM:** Okay, pass it.

**MR. CHAIRMAN:** 2.(a)—pass; 2.(b)—pass; 2.(c)—pass.

Resolution No. 69: Resolved that there be granted to Her Majesty a sum not exceeding \$901,600 for Finance, Treasury Division, for the fiscal year ending the 31st day of March, 1986—pass.

Item 3. Comptroller's Division, (a) Comptroller's Office: (1) Salaries - the Member for Turtle Mountain.

**MR. B. RANSOM:** I don't have very many questions with respect to this section, Mr. Chairman. Perhaps the Minister could just give us an indication if there are any new projects being undertaken in this area; any improvements made; how the time period is running now for the payment of bills, whether the province is able to pay its accounts more quickly than it used to be, and are they considering giving further consideration to paying interest on accounts past certain lengths of time since the government is always so quick to have its hand out to collect interest from people who owe money to them? Is it also prepared to extend the same kind of promptness to people to whom the government owes money?

**HON. V. SCHROEDER:** Mr. Chairman, we are paying interest now. As I understand it, interest was always payable on request after 60 days; now that's still the

same. The average number of calendar days for payouts by the Department of Finance over the last year was 20 days. It's 20 days for the Department of Finance.

When you look at overall in government, it's 39 days, which I'm told is an improvement from the previous year. We're working on it. It's not as good as one would like it to be but, on the other hand, there are improvements and we do have to go through the various checks and balances of the system before the payouts are made.

**MR. B. RANSOM:** If the average is 39 days, what would the distribution be? What percentage of accounts would run over 60 days? What percentage over 50, that sort of thing?

**HON. V. SCHROEDER:** Over 60 days would be 1 percent for government for the year. For the government as a whole, 88 percent of invoices are paid out within 30 days; 10 percent go from 31 to 60 days; and 1 percent go from 61 to 90 days. We've got zeroes on everything above that, over 91 days, for last year.

**MR. B. RANSOM:** Has the Minister got any idea in how many cases they would have paid out interest, and what the amount of interest might have been? Can the Minister also indicate how many days grace would people owing the government money, be given?

**HON. V. SCHROEDER:** I don't have the exact dollar amount of the interest paid nor the number of accounts on which we have paid interest, but I am advised that it would be very minimal. It would be very few even of the 1 percent that would have qualified, would have received interest or asked for it.

On the other side, there are different policies in different parts of the government. We have a lot of licences and fees that we operate on a cash basis. People pay up and receive their licences and so on. Where money is owing, there are a variety of policies, but generally speaking I would imagine that after 30 days or so there would be interest payable.

**MR. B. RANSOM:** Why can't the same standard be used on both sides of the ledger?

**HON. V. SCHROEDER:** Mr. Chairman, I'm told that most departments do pay pretty well all of their invoices on time, there's about eight or so departments that do not. These departments have been requested to shape up and get things moving a little faster. Now, there are some problems in some departments. Natural Resources, for example, is spread out all over the province and you get a bill in some area; it gets processed and comes back to the central organization and out and so on. Sometimes there are mail delays, but those departments should improve some.

In terms of why we don't pay interest after the 30 days, my preference would be that we try to get it within the 30 days and just leave that other policy in place, it would again create further accounting problems plus, of course, it would cost the government a fair amount of money. I understand this is fairly standard across the country, excepting that some governments are working hard, as we are, to get to having accounts payable paid within 30 days.

**MR. B. RANSOM:** Well, in the interests of fairness and equity, Mr. Chairman, it would only seem reasonable that this should be done because there are cases where individuals suffered considerable hardship, people who provide supplies during certain firefighting situations, for instance, where they can end up with a lot of money tied up to the government, and it takes a long time to process the invoices. Understandably the department may not be that interested in processing invoices when they're trying to fight fires, but it ends up that people have a lot of money out.

Another example with the Department of Natural Resources, there were a number of people, I know at least one of my constituents who had a bill of \$8,000 that was owing last October for compensation. It's a little different, but nevertheless, the government acknowledges that they owed, under one of their plans, \$8,000 to the farmer. He still didn't have it by the time the House sat, and the reason was that the Department of Natural Resources had run out of funds in that particular pot and simply hadn't been able to provide additional funds, by way of Special Warrant or transfer from another appropriation, and that person was simply left hanging there with \$8,000 owing.

I would wonder, from what the Minister has said, whether that person would have qualified to be entitled to interest payment after 60 days, and maybe the Minister could even tell me where that provision is made. Is it in The Financial Administration Act, or is it in the regulations? Is it policy? How much interest would be paid?

**HON. V. SCHROEDER:** Mr. Chairman, if I could have some more detail. I just made the assumption that he was referring to a case where there was compensation for wildlife damages. I'm advised that in that case it's our understanding that it would probably be a voluntary payment by government. That is, that there is no liability on government to pay interest, as opposed to where it is for the purpose of payment for goods or services, that in the first instance, certainly the store supplier would be entitled to request interest after the 60-day period.

In some instances that particular department, I know, did come back to Treasury Board and did get some approvals for some additional funds, but didn't get all that they wanted. I think the basic issue is, would he have been entitled to interest had he requested it, and I think the answer is no.

**MR. B. RANSOM:** I realize that's a little different situation than providing a service to the government or supplying the government with some material of some sort. But, nevertheless, it is a government program and the individual is told that he can expect a payment from government through a program of government, and it went for months and months on end without the payment being made.

My colleague, the Member for Arthur, gives another example through the Department of Highways where apparently there are situations where meals are charged and, under those kinds of things, it takes a long time for them to come through as well. It's one of those little things with government that leaves people with the impression that there is a double standard, that's

it's all right for government to demand prompt action from its citizens, but the citizens can't necessarily expect prompt action from the government.

Why is it that we haven't had the 1983-84 summary, financial report? We have the public accounts now, and we're now over 13 months past the end of fiscal'83-84. Surely, it's time that we could have the summary report by now?

**HON. V. SCHROEDER:** I'm told it's being printed. It'll be ready for next week.

**MR. B. RANSOM:** I'm surprised he didn't give that answer to the previous questions.

There seems to be growing delays in the preparation and making available of the quarterly reports. If one goes back and looks at the dates and the press releases since the quarterly reports were first implemented, the period of time to get one out has been creeping up and, of course, those reports, while they may be in the hand of the government beforehand, are not in the hands of the opposition, and the reason to have a quarterly report, of course, is to have current information. Is there some reason why that sort of delay is taking place?

**HON. V. SCHROEDER:** Mr. Chairman, I don't have a calendar, but I will accept the member's statement that these reports are coming not as quickly as they once were. I know in this particular year, in the last particular year, we have not - well, there has been one problem with respect to a fairly busy, hectic schedule for Treasury Division staff on the one hand; on the other hand, there have not been that many changes. It's not been something that's been - basically, we're still on target. At this stage, for instance, for year-end, we're still looking at approximately where we were in December. We're not expecting any dramatic changes for the year. I suppose it hasn't been as high a priority as it might be if there were some changes.

**MR. B. RANSOM:** It just seemed to me that it used to run at about six weeks, six to seven weeks maybe at the most, to make it available. For the quarter ending December 31st, I believe I'm correct in saying that we didn't have that Quarterly Report by the time the Budget was brought down on the 21st of March, so we're almost three months by that time before it gets out. It's not a major thing, but I'm just suggesting that there are people who are interested in seeing the Quarterly Report at the earliest time. I know that the Minister and his staff would have access to that information earlier than that and may not regard it as something of a specially high priority.

How long does it take now to cycle through the preparation of spending Estimates? What's the approximate date now that the cycle would begin for the preparation of the following year's Estimates, and how many months would generally be considered to be required?

**HON. V. SCHROEDER:** The first request for information will be out before the end of the month, and we expect the cycle to continue through to the end of February when hopefully they would all be completed.

I should say on that last statement that I tabled with the Budget, that particular statement had been prepared earlier. I could have released it, I believe, up to two weeks earlier, but I didn't really feel that it was something that was major in view of the numbers in it and wished to table all of the financial documents on one night. That was the reason for the delay.

**MR. CHAIRMAN:** 3.(a)(1) to 3.(e)(3) were each read and passed.

Resolution No. 70: Resolved that there be granted to Her Majesty a sum not exceeding \$4,347,300 for Finance, Comptroller's Division, for the fiscal year ending the 31st day of March, 1986—pass.

Item 4. Taxation Division, (a) Administration: (1) Salaries - the Minister of Finance.

**HON. V. SCHROEDER:** Before we go to that, I now have a copy of the prospectus referred to by the member. I would point out that the total debt service for 1985-86 includes principal and interest, so there would be a different number there than for straight interest, the purpose being to reflect what the payments of the province are for that particular year as opposed to what the interest costs were.

**MR. B. RANSOM:** Perhaps this would be as good an area as any for the Minister to tell us what seems to be happening with the Research and Development tax credits, the impact that that was expected to have in 1984-85 and '85-86.

**HON. V. SCHROEDER:** Mr. Chairman, we still do not have specific numbers. We have been requesting occasionally from the Federal Department of Finance that those numbers be given as best known. I'm sure the member has read about some of the predictions from some of the financial commentators, suggesting that across the country it could be in the range of several billion dollars in cost to the public treasury. A significant amount of that, of course, would be to the Federal Treasury, because I believe on the corporate side basically those things go out of the Federal and not the Provincial Treasuries. It's the personal ones, as I understand it, where we lose money.

I'm asking some staff people whether they have any more information. I tend to doubt it. I know just two or three days ago, I phoned staff to ask them whether they had some information in addition to the article that appeared in the Globe and Mail. They checked with Ottawa, and they did not have any additional information. We very much appreciate the fact that the Federal Minister shut that one down in the sense that he doesn't allow the quick flips anymore. It's regrettable that the previous government didn't do the same thing immediately on becoming aware, because they were asked to.

**MR. B. RANSOM:** Why is the revenue for individual income tax expected to be down from last year's estimate? Is that in any way related to the Research and Development tax credit?

**HON. V. SCHROEDER:** We believe that it is a factor, but we have not got a breakdown from the Federal

Department of Finance this year, of course. That is, next year's revenue is higher than what we're predicting now for this year, but it's lower than what we originally predicted for this year.

**MR. B. RANSOM:** The Minister of Finance and the First Minister have both spoken frequently about tax reform. What kind of ideas has the Minister got in respect to tax reform? What sort of suggestions is he putting forward to the Federal Government, or what sort of changes might he be contemplating here? What's his view of the Saskatchewan tax that was brought in on the bottom line of the first page of the income tax? Would he give us the benefit of some of his ideas in this area?

**HON. V. SCHROEDER:** As I understand it, the Saskatchewan Government asked for the bottom of Page 1, and didn't receive it. They received one-third of the way down on Page 2 where you get to net income. The rationale given by the federal bureaucrats was that in the income tax pact, there is no definition of the number you have at the bottom of Page 1, so they didn't know how to describe it. There's no definition of total net income before those deductions on Page 2, and the Saskatchewan Finance Minister has made it clear that he would have preferred the bottom of Page 1 and I think that would have been a fair method.

But, having said that, I think that what he's accomplished at one-third of the way down on Page 2 is a fairer method of collecting tax than other methods currently available to him or to anyone else, and it's been done on the basis of . . .

There was, as I understand it, a fairly significant struggle between the politicians and the bureaucrats in order to achieve that. There was real resistance and in the same way there was resistance when the Province of Manitoba asked for it several years ago when, as I indicated in a Budget at that time, that I would have preferred that tax to the Health and Education levy.

I think that it's a tax that is fairer. In the Saskatchewan case, they also achieved, as I understand it, the position where there is no tax payable by people with under \$10,000 income. That makes the tax somewhat more progressive than if it would have started at zero. When we were contemplating it, we were thinking in terms of putting in a cost-of-living credit which would have offset the tax to up to approximately the same limit. Not having to do that is better than having the cost-of-living credit. We hadn't expected that the Federal Government would go into that extent in terms of changing its methods of collection.

Preferably, we would like, in addition, to see greater proportions of people's income going to taxation as their incomes rise. I believe that would be more fair; but, on the other hand, I believe this is fairer than the current system where you have not only some people avoiding tax, and they have every legitimate right to do so. We write the tax laws and they're entitled to so order their affairs that they don't have to pay, but what that does is cause us problems over all in terms of revenue, No. 1. And, No. 2, it causes some significant amount of frustration on the part of those who have less money and are not able to invest in such a way and are then required to pay tax on their full shot.

When you look at the U.S. system, you noticed during the federal election campaign in the United States, all of the presidential and vice-presidential candidates voluntarily disclosed their incomes and the taxes paid on their incomes. I believe that those taxes, as a proportion, were higher - and I could be wrong, but I believe that they were considerably higher - than the taxes paid in Canada by people in similar income brackets. I believe that system for all its faults over there, probably picks up a greater proportion of taxes from people with large amounts of income than we do here in Canada.

The Saskatchewan Finance Minister indicated in his Budget that there was something like, I believe, over 600 people with incomes of over \$50,000 a year in Saskatchewan who paid no taxes. Certainly all of those people will pay in the coming year some taxes - a minimum of \$500 and up. That's not much, but it's something of a beginning in making it a little fairer. We would like to see a real look at the items sometimes referred to as loopholes.

Well, just for example, the films, and many people have bought them, probably produced some of the worst films in history and most people have lost money on those films, hasn't assisted our arts community or cultural community to a great extent. It's assisted our accountants and our lawyers. They've managed to figure out these packages. I don't think it's done anything for legitimate film industry in the country.

Look at the MURBs, Multiple Unit Residential Buildings, something that in the late '70s and early '80s when you had the big boom on in Alberta, Manitoba investors were buying these properties in Alberta and reducing their Manitoba taxable income. That cost our Treasury money. Now, those same people have empty MURBs and they're deducting their losses from their Manitoba income so we're getting hit again.

Somehow these kinds of things don't really do very often what they are set up to do. The most recent innovation - when was the flow-through share invented, or not invented, when was it grossed up to 133 percent for the mining companies? - It was about two or three years ago. A federal budget grossed up the amount that an investor could deduct from his income by purchasing these shares. For instance, you could pay Inco some money. They would use that money for exploration and development, including development of the mine shaft. Then you were entitled to deduct the full amount of your share from your taxable income.

In addition to that, just to encourage you to do that, the government added 33.3 percent on as a bonus. The theory was, they were going to help junior mining companies. In practice, what happened was that the doctors, lawyers, accountants and other professions, and civil servants went ahead and invested in shares in those companies, which are already strong because they didn't particularly want a share in Johnny's gold mine, they would prefer a share in some of the established companies, and so the established companies got a fair amount of money. Well, that's an interesting kind of an arrangement, but one must go back and ask the question: do we really need another mine during these times of metal prices the way they are in the world? If we're going to take government money in order to develop business, is that the particular business you would want to be developing at this stage?

You encourage somebody to set up a mine so that we wind up having to build a highway, so that we have to build schools and a little town for the people to live in, and then a few years later you shut it down. So the public basically pays for a very vast proportion of what goes on there and gets very minimal amounts of their original investment back.

I think that we should really be looking at industries of tomorrow if we're going to use that kind of money. I'm not sure that we should, but if we're going to use it, I don't believe that's the way to go about it.

Now, we could go through a list of those kinds of things. Three or four years ago, was it MacEachen who suggested that RRSPs should go up to \$17,000 or \$20,000 per year, depending on your income, and of course, that wouldn't apply to working men and women who are on a wage. They would still be, with their pensions, at somewhere around \$3,500.00. You can't be too nice to those people after all.

So those kinds of things, those are some of the areas where one would want to see some changes not only for the purpose of more revenue, but also I believe that it's important that Canadians again believe that they have a taxation system that treats all Canadians in an equitable fashion. I think that principle is something we have moved away from since 1972, and it's one that we have to begin to work toward again.

**MR. B. RANSOM:** Mr. Broadbent and, indeed, the First Minister of Manitoba, and perhaps even the Minister of Finance himself, have spoken frequently about these people earning over \$50,000 a year and paying no tax.

In the presentation that the First Minister made in Regina to the Economic Conference there, he said, "While well-to-do Canadians and profitable corporations are avoiding taxes, leaving ordinary working men and women to pay the bills, the resulting deficits are used as justification for a tax on public programs and services."

I am wondering if the Minister has any information to substantiate that statement with respect to Manitoba. How many well-to-do Manitobans and profitable corporations are avoiding taxes here, leaving ordinary men and women to pay the bills?

**HON. V. SCHROEDER:** Mr. Chairman, I had asked that question as well. We have a request in to Ottawa. We were told that probably we will have some information on that by Monday or Tuesday.

**A MEMBER:** Why would he make the statement without the information?

**HON. V. SCHROEDER:** Well, Mr. Chairman, Manitobans are not much different from other Canadians. The system works the same in Manitoba as it works in other parts of the country. There is one difference between provinces like Manitoba and some others which have the surtax, which makes it more attractive for wealthier people to use some of these dodges. That's a fact. We have never confirmed it, but we believe that in all likelihood there will be at least as great a proportion of Manitobans using those scams as people in any other part of the country. If the members opposite think that Manitobans avoid those kinds of gimmicks, I think they could very well think again.

Just on a related item, I have heard the member refer to the contract the fellow up at Manfor has where he has a particular expense item after taxes. Quite frankly, I find it just as preposterous as he does. I think that wasn't a sensible thing to enter into. It was something the company did on its own and something we have to take responsibility for. We have to make sure that that does not happen again. The rationale, as indicated, was that in this way they wouldn't include the moving expenses. But when one thinks of what the amount of money is that we would have paid to the Federal Government in addition to the expense money, it's a pretty ludicrous proposal.

**MR. B. RANSOM:** The Minister here says that the company did it on their own. We were told in this House that indeed it was approved by one of the Ministers. It was either approved by the Minister of Energy and Mines or it was approved by the current Minister of Small Business Development, so I find it rather amusing in one sense and shocking in another to have the Minister of Finance making statements about tax loopholes and fairness and equity and, on the other hand, we have members of the Executive Council approving of a contract that makes provision for after tax payment. I don't even believe it was moving expenses; it was something called a disturbance allowance. You can pay moving expenses; it means you pay somebody's expenses to move, but \$1,000 a month, after tax, disturbance is something else.

But this statement that the First Minister made in Regina is something that I find in a sense objectionable, but . . .

**HON. B. URUSKI:** Why?

**MR. B. RANSOM:** Well, the Minister of Agriculture says, "Why?" I will tell him why, because the statement says, ". . . and while well-to-do Canadians and profitable corporations are avoiding taxes;" it doesn't say some well-to-do Canadians or some profitable corporations. It simply says well-to-do Canadians and profitable corporations are avoiding taxes. It says, ". . . leaving ordinary men and women to pay the bills. The resulting deficits . . ." - that means that the deficits that Canada is facing are a consequence of well-to-do Canadians and profitable corporations avoiding taxes.

Furthermore, that statement not only says that deficits result from that, but that the deficits are being used as an attack on social programs, on public programs and services as though this was a deliberate move on the part of well-to-do Canadians and profitable corporations to avoid taxes, create a deficit and attack the programs. That is what that statement says. That is the mean-minded kind of hateful ideology that is expressed in that statement.

So what I am asking the Minister for is for some substantiation for it. I am asking him: To what extent are well-to-do Manitobans and profitable Manitoba corporations avoiding taxes and contributing to the deficit in Manitoba? I wait to be convinced by the Minister of Finance that this is why we have a deficit of .5 billion here in Manitoba.

**HON. V. SCHROEDER:** Well, Mr. Chairman, a couple of points. What the member reads is a quote from a

national tax conference, not a Manitoba tax conference - a national tax conference. He refers to Canada and Canadians and he refers to wealthy Canadians, not to Manitobans. He talks about people across this country. Those numbers are public. I don't happen to have them here, but they are as easily available to the member opposite as they are to me. It is very clear that there are many people out there earning large amounts of money who pay no tax whatsoever. In addition to that, I believe that there are many people out there who earn large amounts of money who don't pay enough tax. I would like to see, for instance, how things are dealt with. We have a couple of federal politicians, our Prime Minister, who for a long time was getting a house for - what was it - one dollar mortgage payments a year? How is that treated in tax terms? What kind of income tax does he pay on that? We have a Leader of the Opposition who was involved in those film arrangements federally.

**MR. J. DOWNEY:** What do you pay for your car, Vic?

**HON. V. SCHROEDER:** A fair amount, Jim. I would like to see how much of his income he paid in taxes. I don't believe that people doing those kinds of things are paying their fair share. They may have paid something so they will not have come onto those particular numbers, but I do not believe that they will have paid enough. I could be wrong, but I believe that.

Now, in terms of the Manfor thing, I repeat: It was not approved specifically by any Minister other than a general agreement of the approximate range of the salary. Those specifics, in fact, were not ever brought to the attention of Crown Investments or other departments of government of which I am aware. There was a general approval of general terms without going through specifics. There was a request for a general arrangement. There was no specific approval of a contract that would have that particular kind of clause in it.

**MR. B. RANSOM:** That is, as my colleague for La Verendrye says, even more shocking, because I was assured by the First Minister, when I asked him if boards of directors of Crown corporations had the authority to enter into arrangements of that nature, of unlimited sort of compensation for chief executive officers, I was told no, that it had to be approved by the Minister responsible. But my purpose is not to debate that specific issue here with the Minister of Finance, but we will certainly be taking that up with the First Minister and the Minister responsible for Manfor.

Mr. Chairman, to come back to the paragraph in this paper and the member's assertion that some people may not be paying their fair share, I agree some people may not be paying their fair share. It may not appear to be a fair share, and you may want to have some kind of minimum tax in place so that it does appear to be fair, but that's not what this statement says.

What this statement says is out and out: "Well-to-do Canadians and profitable corporations are avoiding taxes." It goes on to say that: "The deficits result from that." And that is quite different from saying that I think that all Canadians should pay some level of tax in the interest of fairness. That's one thing, but to say that

the deficits result from people avoiding tax is something else. That should be something that can be shown and can be demonstrated, that there would be empirical evidence for it. All I'm asking the Minister for is that evidence. What evidence has he got that this is what's causing the deficits, or even what proportion of the deficit is being caused by this sort of thing?

**HON. V. SCHROEDER:** Mr. Chairman, if the member were to look further up on that very page of the Budget that he's quoting from, Page D-8, let's start at the top.

The Federal Auditor-General - not a socialist, not a social democrat. The last I looked, he wasn't on my constituency mailing list. He recently estimated that the cost of the various tax preferences and incentives in the tax system may be as high as \$50 billion annually in federal revenues alone. And we're talking about a federal deficit of 35 billion.

"Tax expenditures are rarely, if ever, subject to any meaningful review or scrutiny." That's what this paper says. It goes on to talk about the November 8, 1984, federal agenda paper, not the New Democrat federal agenda paper but the Government of Canada, the Progressive Conservative Government of Canada, entitled, "A New Direction for Canada," which pointed out that: "Corporate income tax preferences have reduced the effective federal corporate income tax rate from 36 percent to 15 percent of profits. Many profitable corporations have such storehouses of tax writeoffs, they're unlikely to pay any income tax under current rules for years to come." That's what we're talking about in terms of people not paying their fair share.

I read out in the House today the quote from Moody's saying that corporate tax revenues had not increased in proportion with the strength in the economy in Manitoba. I believe that is something that is occurring across this country.

The document further points out that: "Individual income tax incentives and preferences have steadily eroded the tax base since the 1972 general tax reforms." And that: "Generally, those provisions have benefitted higher-income Canadians to the point where Revenue Canada advises that over 8,000 Canadians with incomes over \$50,000 paid no income tax." That was in 1981, and it has eroded since. It has considerably eroded since.

We know that there have been new numbers, and I don't have them here, but the new numbers show greater numbers of Canadians not paying any tax with large amounts of income. That doesn't talk about the other thousands of Canadians who also earn large amounts of income who pay reduced levels of taxes because of these gimmicks: the flow-through share, the MURB, the film and all of that other stuff.

**A MEMBER:** RRSP's.

**HON. V. SCHROEDER:** RRSP's are equivalent, I would say, to the pension provisions that people on wages receive. There is some logic there, but what wasn't logical was the suggestion of the previous government - (Interjection) - well if the member thinks so. What wasn't logical about the RRSP's was that we were going to have a system where people could put up to 17,000 or more dollars into RRSP's in one year. That was an



outrage that was as bad as the scientific research tax credit. Those kinds of things have to go.

I indicated a couple of years ago when I had asked the Federal Government for that 1 percent tax on total net income, that 1 percent at that time would have collected just over \$100 million, but the leakage in the form is such that, by the time you get to the bottom of Page 4, we were down to \$12 million or \$13 million. That's the kind of leakage there is in the system. That is on the basis that we assumed that all of the deductions taken, including in some instances very fast write-offs, including in some instances write-offs that are above 100 percent, are legitimate, because those things are all taken off income before you get to the bottom of Page 1 of the return which is where we were talking.

**MR. B. RANSOM:** It's really not very convincing of what the Minister has had to say. What we're talking about and, as my colleague for La Verendrye pointed out, and some of the things referred to by the Auditor-General, of course, are such things as RRSP's. Most of these things have been brought in by government to accomplish some kind of purpose. There seems to have developed this idea that when people retain money that they have earned that there's leakage in the system, that that's a tax expenditure if people are allowed to keep money that they have earned, as opposed to a tax credit.

It's the bureaucrat's way of looking at things that the money belongs to the government, and the individual people are allowed to keep such as the government allows them to keep, as opposed to everything belonging to the individual and the government getting what proportion it needs.

So I think that I would like to see some information, some specific information from the government about what we're talking about here and the impact on Manitoba. I know I ran some figures through if those 8,000 Canadians had paid the average income tax of people earning over 50,000, it might have contributed another \$350 million of revenue overall. Now \$350 million is not to be sneezed at but, in proportion to a \$35 billion federal deficit, it's pretty hard to stretch one's imagination to say that deficit is because of those 8,000 people avoiding tax.

What does the Minister think will be the impact of increasing taxes on corporations in Manitoba? There's an article in the Free Press today. I know the Minister has already labelled it as absolute garbage but, nevertheless, you have people in the Chamber of Commerce saying that there are businesspeople in this province who are talking about leaving. I don't think that's an exaggeration. Is further tax going to help this province to generate the jobs that are required, the economic activity that's required in this province? Does the Minister think that there should be a higher proportion of the earnings of corporations, the earnings of individuals here in Manitoba going to the government than is now the case?

**HON. V. SCHROEDER:** I see, Mr. Chairman, what the member says is, if I go into this particular building and buy \$100 worth of RRSPs, I should be entitled to have a tax benefit conferred on me by the government. If

I move over into the next store and I put \$100 in for food for my kids, no tax benefit; and he says that makes sense.

No, let's not look at the fact that this person has been able to save this \$100, or if he goes down there and buys a film and buys "Porky in whatever," some of the films that you have seen - You know, people go in there; they pay \$100 for the film and then they're entitled to write the whole thing off their taxable income that year. That is, to me, certainly no more a reason to write off income than for the poor individual who goes and buys clothes for his kids. In fact, it's less of a reason, considerably less of a reason.

So what the member is saying is that we will look at all social programs. If we're giving somebody a few dollars for social assistance, we will look at that every year and see whether we can snip off a few buttons here and there; but if we're looking at that \$50 billion in tax expenditures, don't touch it. Don't look at it. Go through your other budget, go through all of the other items, pull all your spending, trim it down in every way you can - but don't touch the tax expenditures.

**A MEMBER:** I don't want you to touch the pension plans; I don't want you to touch them, no. I'll go on the record.

**HON. V. SCHROEDER:** Well, Mr. Chairman, I say that what you should do is look at that 50 billion. I don't say that you should take it all. You can read through all of what I've said tonight; I have never suggested taking away the pension or even RRSP. I have not. What I have said is let's look at the list of things we're doing there and I've referred to MURBS; I've referred to the flow-through shares; I have referred to the Scientific Research Tax Credit. I haven't yet referred to the PIP Grants which the former Premier of this province didn't know were grants, was trying to argue several years ago in committee with me when we were on my Estimates that they weren't grants, that they were somehow deductions from tax. He didn't know that.

All of those kinds of things, I think, are candidates to be put on the table. There are other items that have been referred specifically to by other Finance Ministers in this country to the Federal Finance Minister. Let's look at them all, and let's look at them in relation to what other things we will have to cut if we don't cut them, if we want to cut the deficit. Let's look at them.

The member says, should we be taxing more and will that do more for business in the province? I don't want to tax business any more. What I do want to do is make sure that everyone pays their fair share. We want to be competitive with other provinces, but those same other provinces are saying the same thing we are. We're not the only ones who are having difficulties with revenues. They other provinces are having them as well. People are getting together and saying, how do we reform the system so that we get the revenue we need without unfairly taxing anybody, and we don't want to be out of line with other provinces with respect to tax rates.

In fact, we're not out of line with other provinces with respect to tax rates, we're in a position where we're fairly moderate. But the other side of that coin,

Mr. Chairman, if we have such tough people sitting on the opposition who suggest we will cut the Health and Education Levy, what would you cut? And I've put up a whole host of items that we're prepared to look at. Where are they looking to cut the deficit? They say the deficit should be cut; we want the deficit cut. What are you going to do? You've already added over \$100 million to the deficit just by eliminating that levy. What are you going to do? — (Interjection) — Oh, now it gets a little uncomfortable and you've got your favorite old saying. Unlike the Tories - the last two times they called an election, they called it at the wrong time for themselves. For us, we did that once out of a couple of times. We will try not to do that again. We'll try to call that election when we're good and ready for it.

In the meantime, for people who want specific answers, I think it is only fair that maybe they start being a little bit more forthcoming with where they're coming from, other than simply saying, well, we don't want to raise taxes and we want to eliminate more and we want more money for everything.

I noticed one of the Western Manitoba papers was saying that if the Tories form the government, they're going to open the Boissevain Land Titles Office. They're going to do all those kinds of things and all of this stuff is all so wonderful. They've got all those little things out there; it's not big money, but it's far more money than we can afford. And the Vita Hospital - doubling it. That's a nice thing; we would like to do that. We would like to do all those little things. You add them all up though, what are you going to cut?

You're already \$100 million behind. You're adding on to the spending; you're saying you want more for the farmers, you want more for small business. What are you going to cut? Tell us again, as you did in the 1970s, that with a Tory Government you're going to have greater revenue increases - and what did we have? The Tories are mentioning today that there are people who are talking about leaving Manitoba - a 35,000 population increase since we came to office. How about when they were in office? A decrease in population, a decrease. People voted with their feet when the Tories were in office. They've been coming this way since we've been in office.

Mr. Chairman, I would like to hear some of the members' views. It's not just from here. We've put out some suggestions. We were the government which first put out the proposal for the tax on total net income. I had some discussions with the Finance Minister in Saskatchewan before they brought theirs in. We were quite encouraged when they did. We think that it's fairer than what we have right now. I've made a number of suggestions for areas we should look at, in terms of federal tax expenditures, many of which cost us money, some of which don't, but many of which cost us money. I think that's a far more profitable area to look at than looking at trying to save a few hundred million dollars on cheating the Native people of the country, by trying to save a few dollars by eliminating the universality of the child care credits and so on.

I think it's a far more lucrative area to look at for government, No. 1. No. 2, I think it's a far more fair area for government to look at. No. 3, we need the money.

**MR. B. RANSOM:** I don't know why this Minister is so incapable of simply dealing with issues that are

before him in a forthright fashion and answering some questions and not distorting things.

Mr. Chairman, if he wants to put forward suggestions for cutting specific tax incentives that are in place, fine. Let him do so. What I'm saying is, don't attack people for taking advantage of them, because that's what you're doing when you make a statement such as the First Minister made. You make a blanket statement about well-to-do people and profitable corporations because apparently, some people and some corporations, have taken advantage of provisions that governments have put in place. Don't attack the individuals for doing that. Attack the governments for doing it if you don't like the program and tell us how much is to be saved. That's what I'd like to know. There are some of these things that we might well want to look at, but there's no indication here of how these are contributing to the problem that the government has here. That's all I'm asking the Minister for.

What the Auditor General is talking about includes just about everything under the sun, whether it's basic exemptions that people have or whether it's RRSPs or pension plans or any number of things. That's meaningless to use a figure like that. There has to be some justification, some detail to it. If the Minister has some, I'd like to see it. If he hasn't got it, fine, then he hasn't got it and I'll know that the statement that's being made here is basically a rhetorical political statement.

**HON. V. SCHROEDER:** Well, Mr. Chairman, \$50 billion is not rhetoric; \$50 billion is \$50 billion. That's more than the total federal deficit by \$15 billion and it was \$20 billion more as of when the Conservatives took office federally when the deficit was at about \$30 billion. That's a lot of money and there may well be items in there that we want to keep.

In fact, I would agree that pensions should stay in there. No problem with that. There's some other items as well. I have told the member that through that whole system, we get on one point of income tax, we come down from over \$100 million to \$12 or \$13 million as a result of leakage in that system. He can say all he wants about not being able to come up with specifics. That is a phenomenally huge amount of deductions that people are getting. Some of them are legitimate. Some of them, I think, are unfair. I've mentioned some of those.

The member has also been asked to say what where he stands on those things. — (Interjection) — We're in a debate and people have to make decisions. You have a leader who said the other day that Manitobans want the truth. Manitobans want to know about the economy. Manitobans want to know what people would do. Then, he says, well, I'll reduce your taxes. That's tough, that's real tough hard leadership. Where is he going to get the \$100 million that he's going to eliminate from our coffers as a result of that particular tax reduction. — (Interjection) — Well, maybe he'll take it out of Health care. I said last year that they would have taken it out of sales tax because I assumed they would because some of their leading lights were saying they would.

I've indicated to members opposite that the scientific research tax credit, according to the latest projections

and these are unofficial, the newspapers, the business sections have been bandying them about - it's talking about \$2 billion out of an item that was originally projected to be \$100 million. That's not peanuts, that's not \$250 million. That's eight times as much as what we're talking about. — (Interjection)—

Well, Mr. Chairman, the Member for Turtle Mountain likes to add up only the numbers for the people who didn't pay an tax and he completely forgets the fact that there are a lot of people out there, as he knows, who paid taxes but who reduced their taxes as a result of some of those gimmicks. He knows as well that I have not criticized those people. They have every legitimate right to use those gimmicks. They have every legitimate right to use that flimflammy that the Federal Government has put into effect to reduce their taxes.

The member quotes from our Premier and he says, "While well-to-do Canadians are avoiding taxes, etc.," he says, "Why doesn't he say 'some well-to-do Canadians.'"

Well, Mr. Chairman, on the other side, he didn't say "all well-to-do Canadians." He "well-to-do Canadians." He didn't say either all or some. You can interpret anything you want into these kinds of things. The Member for Turtle Mountain sometimes has a knack for interpreting things fairly negatively. I suppose when you're on this side of the House, you tend to interpret things a little more positively, depending on what the issue is. It's clear you don't have to have a specific number to know that without tax reform, all three levels of government in this country are going to have problems delivering the programs Canadians want without unfair increases to those Canadians who can't afford to pay more taxes.

**MR. CHAIRMAN:** The Member for Inkster.

**MR. D. SCOTT:** Thank you very much, Mr. Chairman.

I find this debate that we're entered into and discussions we're entering into over tax reform or lack thereof and the opposition's being upset at the Premier of this province when he's speaking either in Manitoba, and he certainly has said it many times both in this House and outside of this House in Manitoba and other provinces as well, of how he finds it quite incredible and most unjust that we have the taxation system in this country that has the numbers of people who are pretty well-heeled end up paying no income taxes whatsoever.

Those people as well, those of us who make a decent income, who make an income significantly above the average Canadian, get to benefit by the use of various facilities that are provided for by the public far more than the people on the lowest ends of the income scales. The more money you make basically, the more things that are available to you.

Just one very brief explanation of that is the use of airports. Virtually all of them in this whole country are tremendously subsidized and how many people on minimum wage use an airport every year or every four or five years for that matter. Those of us of higher income brackets can go and use that and every visit that we make to an airport except, I believe, Dorval is about the only one in the country that makes money - I don't know if it does anymore since they built that

silly white elephant of Mirabel and it took quite a bit of traffic away from Dorval - from what I can recall several years ago, it was the only one in the whole country that had significant net revenues.

It's not just airports, it's universities which are subsidized and assisted as they should be by all Canadians and yet the Canadians who are most likely to avail themselves of those services, be they of their children attending those institutions, or be they of themselves benefiting from research - well, not that it is done at the universities - in particular along the tie-in in scientific research and yet it is that sector of our population that has more and more people escaping taxes altogether.

Earlier, the Minister referred to people who are escaping taxes. April 19, 1985 was, I believe, it's the Winnipeg Free Press - yes, it's the Winnipeg Free Press - gave a summary of a CP wire story giving the figures for 1983. It found no income tax was paid by 1,120 people who earned over \$100,000 that year. That was 33 percent more than in 1982; 33 percent more. So the problem isn't going away; the problem's getting worse.

For incomes between 50,000 and 99,000, it increased from 4,679 individuals in 1982, by 2,000, to 6,662 persons with incomes between \$50,000 and \$100,000 who paid no income taxes. Those between \$40,000 and \$50,000 went from 5,201 persons up to 6,760 persons, so the tax system . . . And it's getting worse virtually every year. You go back to 1981 and the studies that were done then, a much criticized paper, and what party criticized more than anybody else of the terrible budget that MacEachen brought in, that had all kinds of reforms in it to close a bunch of loopholes and the Tories went absolutely nuts in Ottawa. I criticized my own party in Ottawa for criticizing it, because of some benefits that would have been taxed under the new programs or new budget of '81, instead of having exemptions.

But when there are attempts in this country to make meaningful tax reform and to get fairer taxation across the system, to get fairer taxation so that people don't avail themselves of the same philosophy of loopholes that they have right now in ever increasing velocity, I might add, that we have the Conservatives of this country and of this province as well screaming and condemning about what you are doing to those people of this society, who according to them are responsible for all the benefits society has, that if it wasn't for the very wealthy in this country, you wouldn't have any kind of a decent society, according to Conservative philosophies and their attitudes towards taxation.

And they can bring that back home here, when in 1978-79 they brought in their first Budget and they talked at the same time, as they do now, cut taxes, cut taxes; so what did they do? They cut taxes. They went from 56 percent of the federal rate to 54 percent, I believe, if my memory serves me correctly, and what were the impacts of that? What were the impacts of it? — (Interjection) — Yes, I worked in Finance at the time and did not like, to say the very least, what was coming out of that budget, because for people who earned \$50,000, they saved approximately \$700 in income with that tax reduction from the Tories; and some of them making \$50,000 - it was much less, I believe, than even \$50 that they received.

So as you went up the income scale, the amount of benefits from the Tory tax deduction increased dramatically. It wasn't only 10 times as high, it was 100 as high for the upper income brackets as it was to the lower income brackets, and that's their idea of tax reform and we in this party can't accept that. We don't have the ability, as a province in a federal tax regime, where we have to tax a percentage of the federal tax return to close the loopholes that are built in by the federal system, but we certainly let it be known very clearly to them that we want these loopholes tightened up and in most instances eliminated.

For us to sit here tonight and watch the Member for Turtle Mountain decry the Government of Manitoba and the Premier of Manitoba for criticizing this riddled income tax system that we have, full of holes, holes that are mostly available to the upper income groups; and even when you're talking about the basic deductions, for someone that is on the average income of Manitoba, for the basic deduction of - what is it? - \$3,600 or \$3,800, it's worth a heck of a lot more to me than it is to someone making \$12,000; because a \$3,800 deduction on my income tax is worth an awful lot more to me than it is to someone who's not paying any tax at all, obviously, and to someone who is paying tax at a lower rate, because on expenditures exemptions, straight across the board exemptions, the higher the income the greater the benefit to you, up to the magic number that after the Conservative Opposition to the MacEachen Budget, where the marginal tax rate was reduced from - I'm maybe a percent or two off my figures here - but I think it was 47 percent and it went down to quite a bit lower than that, 4 or 5 percent below that, for the top marginal tax rate in the country as well as leaving all the loopholes in.

So the country got the worst possible result of the initiative that MacEachen attempted. He tried to close loopholes and he ended up keeping loopholes out but

he still reduced the marginal tax rate and that is the crime of it all. That is one of the principal reasons that we have had deficits in this country going through the roof and the Provincial Auditor-General or the Auditor-General of Canada was dead on when he showed that the major cause of the rise of deficits is because of such a massive reduction in provincial revenues.

Mr. Chairman, I just wanted to get a few words on the record here in regard to tax reform and to express my surprise at the opposition of their defence and their continued defence of a tax system that's riddled with loopholes, who never make any proposals on trying to close it, who talk constantly of cutting taxes and yet when we see what the results of their tax cuts are, much greater benefits for the more well-to-do, with next to nothing, if anything at all, for those on our lower income scales. It is most unjust; it is most typical, unfortunately, of the party opposite.

Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Committee rise. Call in the Speaker.

### IN SESSION

The Committee of Supply has adopted certain Resolutions, directs me to report the same and asks leave to sit again.

**MR. DEPUTY SPEAKER, P. EYLER:** The Honourable Member for Inkster.

**MR. D. SCOTT:** I move, seconded by the Honourable Member for Ste. Rose, that the Report of the Committee be received.

**MOTION presented and carried.**

**MR. DEPUTY SPEAKER:** The time being 10:00 o'clock, this House is adjourned and will stand adjourned until 10:00 a.m. tomorrow (Friday).