

## LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, 22 May, 1986.

Time — 8:00 p.m.

**MADAM SPEAKER, Hon. M. Phillips:** The Honourable Minister of Finance.

**HON. E. KOSTYRA:** Thank you, Madam Speaker. I move, seconded by the Minister of Industry, Trade and Technology, that this House approve in general the budgetary policy of the government.

**MOTION presented.**

### BUDGET ADDRESS

**HON. E. KOSTYRA:** Madam Speaker, today's Budget is the first I have had the privilege of presenting to the Assembly and to the people of Manitoba.

It is the fifth Budget which our new New Democratic Government has presented since November, 1981. We are deeply honoured that earlier this year the people of Manitoba chose to renew our mandate to build on the initiatives implemented in our first term.

I am sure all members would want to join me in paying special tribute to my predecessor, the Honourable Vic Schroeder, who served as Finance Minister for the last four and one-half years. His efforts in standing up for our province since 1981 have helped secure the high quality of life, the confidence and hope for the future shared by Manitobans today.

At the heart of all our actions is a faith and a desire and the willingness of Manitobans to work together to build a better future.

Manitobans — men and women from every walk of life, are proud of our province — proud of our accomplishments, proud of the fact our economic growth is among the strongest in the nation — and they are confident about the future, eager to meet the challenges ahead.

During the recent election campaign, Manitobans made it clear they wanted good government, strong government — government committed to working cooperatively with every member of our society. They wanted to build on our economic and social heritage and to focus continued attention and expanded resources on jobs and vital human services.

Manitobans endorsed our initiatives of the past four years, reflecting our philosophy, an ongoing commitment that economic and social development do indeed go hand in hand.

From 1977 to 1981, Manitobans had first-hand experience with a Conservative Government which chose to restrain social progress for economic growth and ended sacrificing both. As the economy faltered and the Conservatives turned their backs on needed job creation, our young people left the province. And, that same government refused to lend a helping hand to our farmers, small business operators, and homeowners beset with crippling interest rates.

In 1981, Manitobans rejected that approach and mandated our New Democratic Party with the task of

rebuilding a province already sliding into the most serious recession since the 1930's. During the last four-and-a-half years, balanced emphasis on economic and social development — on co-operation and working together — began to pay off. Manitobans have witnessed the turnaround in our province's economic performance from nation-lagging, under the Conservatives to nation-leading under the NDP.

Manitoba recognize that our economic accomplishments — reflected in jobs, investments, and sons and daughters coming home to our province — only represent real progress if all Manitobans are assured a fair share in the rewards of our province's harvest.

Manitobans have confirmed their commitment to working together, to sharing the benefits, and to improving the overall quality of life in our province — making Manitoba an even better and fairer place to live.

Last March 18th, Manitobans renewed our mandate and elected a government that shared their vision for the future.

All across the province, men and women have provided sound advice on how we should pursue our budgetary policies. During the election campaign and the weeks following, my colleagues and I have had the opportunity to talk to thousands of ordinary Manitobans from Minitonas to Beausejour, from Gardenton to Cross Lake. As the Finance Minister, I also met with Manitobans from a broad spectrum of economic and social interests. I would like to thank all those people. I look forward to further discussions as we address the fiscal and budgetary challenges of the coming years.

This Budget reflects their concerns and incorporates their ideas. It emphasizes integrated economic and social development, the respect and caring, the co-operative spirit, and the promise of a better future, which Manitobans have a right to expect from their government.

It is a Budget which seeks to ensure:

sustained economic development to provide jobs, economic security, and increased opportunities for women and men throughout the province. The crisis in agriculture and the future of family farms in our province is the most pressing economic concern.

This Budget seeks to ensure access for all to improved vital services, health care to keep us well and to treat us when ill, education and training for young men and women and others seeking broadened knowledge and skills for the changing world, quality child care for working and especially single parents, and important income and program supports for seniors and others requiring these services.

Manitoba's policies since 1981 have created jobs and job opportunities while preserving public services. These achievements have been accompanied with a modest reduction in our province's debt as a share of all provincial debt in Canada.

Manitobans, like all Canadians, recognize that deficits add to ongoing public debt costs. They also know that

some deficits do not show up in government balance sheets — but rather in more jobless men and women, more poverty, more waiting lists for hospitals, and more beds in hallways, and more injustice and inequality.

We are determined to face these concerns directly. We will sustain public services, economic development and job opportunities while containing and reducing deficits over the medium term.

Manitobans know that current deficits do not result from spending decisions alone. The current tax system, largely controlled by Ottawa, contains many tax preferences which have a significant effect on provincial revenues. Federal decisions to reduce support to provinces or to withdraw services which then must be picked up by provinces, also impact on provincial finances.

Sustained scrutiny of spending plans to ensure that the tax dollar is spent wisely and prudently has been a continuing element of our fiscal strategy. Manitoba spends less per person than seven other provinces. Nonetheless, close examination of all programs and public services will continue. We are determined to become even more efficient and effective.

Manitobans should not have to tolerate unfair cutbacks in federal support. Nor should they have to tolerate program and service cutbacks to finance huge tax breaks for big business, the wealthy, and privileged interests. That is why comprehensive tax reform is critical. Manitobans have told us we must stand up for Manitoba's interests in our relations with Ottawa and demand fair support in direct contributions for health and higher education, for social services, for economic development, and in all aspects of federal activity in our province.

Over the last several years, Manitobans have seen a series of sharp and often painful adjustments in the world around them. The resource-development boom of the 1970's largely by-passed our province. However, the inflation, the unemployment and high interest rates which accompanied it presented serious problems for the people of Manitoba. Farmers were caught in a spiral of rising production costs and debt payments. Businesses were forced to trim expenses, postpone investments, and lay off workers. Men and women, their own jobs less secure, watched as their children and friends left Manitoba to seek employment in other provinces. Home ownership was slipping beyond the grasp of ordinary Manitobans.

The people of Manitoba saw their province rapidly fall behind the national standards and witnessed the erosion in their quality of life. They watched the Conservative administration of the Day, preoccupied with short-term adjustments to the provincial balance sheet, remain passive and inactive in the face of this gathering crisis.

But, in 1981, and now again, Manitobans have chosen a government prepared to act, to stand up for the people of our province, and to build on the strengths of our diverse economy. Manitobans have a government committed to working with them to shape our province into the vibrant society which they know is possible through the sharing of our creative energies.

Much has been accomplished over the past four years.

The people of our province — men and women as individuals, and through their organizations —

businesses — unions — farms — their Government — have all worked hard in the face of massive disruption in the national and international economy. Together, we have turned the tide. We have raised Manitoba's performance above the national standard, and we have set our sights on the greater challenges and opportunities of the future.

I would like to highlight some of the achievements shared by the men and women of Manitoba over the past four years. Job creation has been the number one priority of our Government and the number one success story in our province. Our policies of providing active support when the economy was in need and fostering longer term development as economic renewal has taken hold, have worked. Manitoba's job creation record is better than the national standard over the last five years. There are 27,000 more jobs in Manitoba than prior to the recession.

I am particularly pleased that improved job prospects for young people in Manitoba have resulted in a substantial reduction of 4.1 percentage points in the youth unemployment rate over the course in 1985.

Although unemployment still remains unacceptably high, thousands of people have recognized the improvement in Manitoba and are choosing our province as a place to live, work and raise families. In the last four years, our population has grown at the fastest rate in decades.

Significantly, in 1984 our province recorded an actual reduction in the number of families living below the poverty level, while the incidence of poverty nationally continued to escalate.

Approximately 150,000 workers, or 37 percent of the non-agricultural paid labour force in Manitoba belong to labour unions. The labour relations climate in Manitoba has long been characterized by a strong commitment on the part of both workers and employers to resolve differences through collective bargaining. The result has been fewer work stoppages — in fact, the amount of time lost to strikes and lockouts in Manitoba relative to total employment has been less than one-sixth of the national average over the past four years.

Manitoba has an excellent investment record. Major investment in resource development, investment by both large and small businesses in new technologies and new production processes, investment in public structure infrastructure, investment in health, education and the job security of our young people . . . these are the vehicles through which the dreams and aspirations of today are transformed into reality.

Manitobans have long recognized that co-operative and joint efforts of the private sector and public sectors are essential to developing the special strengths of our economy and to meeting the needs of our people. The Provincial Government provided an effective catalyst to private investment by stimulating the economy during the recession and emphasizing the longer term development of our economic potential.

Growth in private sector investment in Manitoba, along with Quebec and Ontario over the 1982 to 86 period, leads the nation. The combined strength of private and public sector investment activity in our province, means total investment growth in Manitoba, is the strongest of any province.

We obviously note with a great deal of interest the recent announcement by Boeing of Canada with respect

to moving some of their production from California to Manitoba, which was announced yesterday.

In 1985, Manitoba achieved a seven-year high in housing construction, with 6,557 units started. This activity has once again put quality housing within reach for many Manitobans, while at the same time, creating significant employment opportunities for men and women.

Development of the Limestone Generating Station is now fully under way. Significant job opportunities have been provided for northerners and especially northern Native people. Right now, over one-third of the people working on Limestone are of Native ancestry. The level of Manitoba business participation in hydro development, at 80 percent, is unprecedented. Construction of Limestone will provide an estimated 19,000 person-years of direct and indirect employment for Manitoba men and women.

Limestone was assured by the Northern States Power sales, but we are not stopping there, Madam Speaker. Negotiations for export sales are continuing. We are on the verge of a decade of continuous hydro development for our province.

To maximize social and economic benefits of hydro development, legislation will be introduced establishing the Manitoba Energy Foundation. The Foundation will receive 50 percent of the profits from long-term hydro exports, profits estimated at \$1.7 billion on the Northern States Power contract alone. The Foundation will invest in job creation, economic development and social development for future generations of Manitobans. The remaining profits will help Manitoba Hydro ensure that Manitobans continue to enjoy low electrical rates.

The North Portage Development in Winnipeg's downtown core demonstrates the positive aspects and results that can be achieved when government and the private sector work in concert. In addition to the significant employment during the construction phase, North Portage will create long-term jobs in many new offices and shops in the private, retail and commercial sector. North Portage is transforming the urban environment and giving it a vitality that has not been evident for many decades.

Commercial and residential investment is increasing in many communities in Manitoba. In 1985, the value of building permits issued outside of Winnipeg increased 62 percent and rose to a level two-and-one-half times above that of the early 1980's. This means more jobs and job opportunities for men and women, and improved and lasting assets in community infrastructure for all Manitobans.

If members opposite want more confirmation of the economic successes achieved by the people of Manitoba, they may wish to consider the words of their own federal leader. At last November's First Ministers Conference, Prime Minister Mulroney said:

"I look at the Manitoba results over the past year . . . record growth of 4.3 percent, an unemployment rate down to 8.6 percent, which is remarkable compared with other provinces, employment growth of 1.4 percent, record number of new jobs. Manitoba, I think, in the last year has done extremely well."

And the record shows . . .

**MR. H. ENNS:** And you say such mean things about him.

**HON. E. KOSTYRA:** The Member for Lakeside would be interested to note that the record for 1985 turned out to be even better than the Prime Minister's statistics suggest about Manitoba.

Many thousands of Manitobans and the vast majority of our communities, both rural and urban, depend directly or indirectly upon the security and stability of the family farm in our province.

In recent years, Manitoba farmers have achieved marked increases in production, setting records for a wide range of commodities in 1985. Yet, despite these achievements, the financial crisis in agriculture is deepening.

Continued increases in costs, combined with sharp declines in world prices, have placed a large segment of the farm community, and the jobs and businesses which depend on farming across Canada, in jeopardy.

Sadly, across Canada, it is the young farmers, the future strength of the industry, who are the most vulnerable. Canada cannot afford to lose more farmers, especially our young.

Our government fully recognizes the importance of the farm sector and the urgent need for a national agricultural strategy which will ensure the future of our family farms.

We will work with the farm community and the Federal Government to preserve and protect this important sector.

Over the past four years, our government has initiated or expanded programs to deal effectively with the range of urgent problems in the farm sector.

The Manitoba Agricultural Credit Corporation (MACC), as the major vehicle for direct provincial farm financial support, has provided \$120 million through its regular lending program. The lending activities of the MACC have helped more than 10,000 Manitoba farmers purchase livestock, machinery and land and also ease their debt burden.

The Guaranteed Operating Loan Program secured a portion of the operating credit provided by banks to relatively high-risk clients. The MACC guaranteed \$97 million in loans for roughly 700 Manitoba farmers.

The Manitoba Interest Rate Relief Program provided approximately \$12 million in aid to 1,200 farmers facing difficulties associated with high interest rates.

The Interest Rate Reduction Program enabled 640 farmers to "buy down" interest rates on MACC loans, for a saving to these farmers of over \$18 million.

Over the past two years, the MACC has provided a further \$10.7 million in assistance to an estimated 3,500 farmers by writing down to 8 percent the interest on about 5,200 loans.

The Manitoba Beef and Hog Stabilization Programs disbursed approximately \$60 million on a net basis to over 6,000 producers.

The Provincial Government committed \$2.9 million in support for the 1985 sugar beet crop to assist growers and maintain processing jobs. The Young Farmer Rebate Program provided almost \$10 million in interest rate relief to young farmers.

In 1985, the MACC made available low-interest loans for farmers in financial difficulty.

Outreach services to farmers — related to crops, livestock, soils, water, technical services, agricultural training and marketing — are provided on a regional basis.

Mediation panels provide advisory assistance to producers in severe financial distress, and facilitate effective communications between hard-pressed farmers and financial institutions.

These programs have helped. However, in the face of the current crisis in agriculture, more can and must be done. Manitoba cannot provide a substitute for national action, but we will continue to press for an effective national agricultural policy and we will do all that we can.

Farm Start, Farm Aid, and the Fund for Rural Development were announced in the Speech from the Throne. Later tonight, I will outline new initiatives to provide further help.

In Canada, the rapid growth of the early recovery period in 1984 and 1985 has given way to more moderate expectations for 1986 and 1987. Investment spending remains weak in the three westernmost provinces and Atlantic Canada. Ordinary Canadians are reducing their spending due to higher federal taxes and reduced income support, such as family benefits and unemployment insurance.

Foreign markets, while likely to benefit from lower world oil prices, have lost some of their earlier momentum and are threatened on many fronts. The decline in world commodity prices has a direct effect on Canada's foreign trade balance and on the financial situation of resource producers.

Interest rates have come down in recent weeks. However, the high rates maintained earlier this year have already taken their toll on interest-sensitive components of the economy and create a concern that the interest rate volatility of the early 1980's may not yet be fully behind us.

Unacceptably high unemployment across Canada continues. In April, more than 1.2 million Canadians remained on the official unemployment rolls, and many of those who have found jobs still face problems of inadequate income and lack of full-time positions.

In Manitoba, the encouraging progress achieved over the past four years has laid the foundation for continued strong economic performance.

Manitobans, as well as other Canadian and foreign investors, recognize the opportunities for growth and development and advantages of locating new enterprises within our borders. Many independent forecasters suggest that investment will enable Manitoba to achieve economic growth exceeding the national average over the next five years and beyond. The recent Royal Bank of Canada Outlook stated:

"We expect Manitoba to lead the nation in terms of real growth during the decade to 1994."

Sustained solid economic development means more job opportunities for Manitoba men and women, reduced unemployment and higher personal incomes and more opportunities to achieve fair and better economic, political and social well-being.

These results are not assured. However, over the past four years, our province has demonstrated what can be achieved through the efforts of individuals, businesses, co-operatives and governments working together with faith and confidence in the future.

The actions of the Federal Government are critical to the provision of public services and economic development initiatives in all regions of Canada. Actions in the area of taxation and federal-provincial fiscal arrangements are particularly important to the province's capacity to maintain important social and economic programs for all Canadians.

The Federal Government largely controls the income tax system and also provides significant transfers to all provinces to assist in the provision of important services, balanced regional economic development and the maintenance of reasonably comparable tax levels throughout our country.

Fair taxation is essential to economic and social progress and an improved quality of life. Words of the Carter Commission on Taxation 20 years ago state —

"The first and most essential purpose of taxation is to share the burden of the state fairly among all individuals and families. Unless the allocation of the burden is generally accepted as fair, the social and political fabric of a country is weakened and can be destroyed."

Regrettably, many of the Carter Commission recommendations were ignored in the tax reform of 1972. Since then, many major tax provisions have been unfair to ordinary taxpayers.

More recently, federal tax changes have sacrificed fairness and equity in the hope of achieving faster economic growth.

Personal taxes, including income taxes, have been raised in an unfair manner. Changes to family allowances, child tax credits and low income federal tax reduction mean that the poor and middle income will pay more.

Meanwhile, many wealthy individuals will pay substantially less as a result of the \$500,000 capital gains exemption and the \$15,500 RRSP tax deduction. Very few ordinary working Canadians can hope to profit from stock market or real estate transactions to the extent of one-half million dollars. Similarly, the higher RRSP deduction is of no assistance to people earning less than \$30,000.00. The maximum tax reduction of \$8,685 is limited to those with incomes above \$86,000.00. Federal estimates put the cost of these two concessions at more than \$2 billion annually by 1990, about the same as the proposed cutbacks in federal health and higher education transfers.

A Manitoba family of four, with two children and one working spouse, earning \$30,000, will pay \$1,368 in 1986 federal income taxes after family allowances and child tax credits are taken into account. This is \$176 or a 12.9 percent increase resulting from the last two federal budgets. In contrast, an individual, also with a dependent spouse, receiving \$50,000 of investment income, will pay only \$909 in federal income tax this year. This is one-third less than the family earning \$30,000.00. The last two Federal Budgets reduced the investor's federal taxes by \$4,245 or 82.3 percent.

Even before the new concessions, the earnings of ordinary working Canadians constituted most of the personal income tax base. In 1983, for example, over 85 percent of labour income was assessed for income tax. In contrast, less than 45 percent of investment income was assessed on income tax returns.

Income has the same purchasing power regardless of how it is earned. It buys the same loaves of bread

or litres of milk. We believe it should be subject to comparable taxation.

In total, the measures implemented and proposed by the Federal Government since November, 1984 will shift the balance of taxation from big business to ordinary taxpayers by \$12.7 billion annually by 1991, according to the estimates included in the February federal Budget.

Ironically, most major forecasting agencies have predicted that these inequitable tax increases will dampen rather than increase economic growth.

We have consistently urged the Federal Government to initiate fundamental and comprehensive tax reform, and we will continue to do so.

There are, of course, important taxes within provincial control where action is also required. Honourable members will be aware that the next few years will see a major province-wide property tax assessment reform. This will be carried out in the spirit of fairness and reform which is the hallmark of New Democratic Party tradition which secured such improvements as:

- the abolition of Medicare and hospitalization premiums,
- the introduction of property tax credits,
- the introduction of income-related relief from sales taxation — the Cost of Living Tax Credit and other important changes.

As mentioned earlier, federal transfers are critical to maintaining fairness in taxation and service levels among the provinces.

Over the last several years, direct federal support has slipped from 43 percent of our province's total revenue to under 35 percent. That 8 percentage point drop represents close to \$300 million, a very considerable sum.

Part of the problem is equalization. As Manitobans know, the changes in 1982 left our province hardest hit according to a former federal finance deputy minister. In fact, equalization now leaves recipient provinces some \$217 per person short of the national average in revenue. Those services and tax levels in equalization provinces are under additional strain because of that gap.

Equalization must bridge the gap if residents of all provinces are to be assured —

- reasonably comparable levels of public services
- at reasonably comparable levels of taxation
- the very purpose of equalization as enshrined in our Constitution.

A second major problem is federal support for health and higher education. As recently as 1979, under block funding arrangements, federal support covered half of the costs of health and higher education. Today on the basis of the same set of services, the federal share has dropped to under 45 percent. Interestingly the Nielsen Task Force concluded that federal support covered just 39.9 percent of health costs in Manitoba last year. The under 45 percent share I cited respects the block funding nature of the arrangements and includes both health and higher education. Thus it puts the federal share in a more favourable and objective light.

Along with groups such as the Manitoba Coalition on Health and Higher Education and concerned men and women across the country, Manitoba recognizes the importance of an equal federal commitment to

health and higher education. Yet when we are confronted with proposed cutbacks in federal funding in Bill C-96 which will place vital health and higher education services in some difficulty. For Manitoba, the cutbacks escalate from \$13 million this year to \$86 million in 1990, for a five-year total of some \$238 million. These cutbacks would increase the federal deficiency from equal sharing in these services to over \$300 million annually by 1990. That is money our health and education services would be hard pressed to do without.

Bill C-96 proposes to cut federal support to 2 percent less the growth in Gross National Product annually — in other words, to reduce the share of our economy invested in health care and education, despite concrete evidence that the needs of Canadians are growing. That raises fundamental questions.

Can services be protected with a shrinking share of our economy invested in health care and higher education? Is the \$7.5 million growth in federal cash support included in this Budget sufficient to meet national responsibilities for health services higher education in Manitoba? If not, how can we best secure adequate funding in the short term, and what can we do to persuade the Federal Government to resume a fair share in these responsibilities over the longer term?

I would ask all members to give health and higher education financing and the question of fair federal participation careful attention. We are concerned that the current lack of federal response to the need for meaningful tax reform and fair support to vital health and higher education service may signal a withdrawal by the Federal Government from its responsibilities to the people and regions of our country.

Manitoba remains committed to working cooperatively with the Federal Government.

Federal-provincial co-operation helped sustain the farm community during the Depression of the 1930's, helped build the floodways in the 1960's, helped build the transmission lines from our early northern hydro projects and is helping change the face of downtown Winnipeg.

Federal and Provincial Governments together built our major social programs — hospital and medical insurance, unemployment insurance and the Canada and Quebec Pension Plans.

We believe that maintaining and strengthening our economic and social progress requires a return to cooperative federalism.

Madam Speaker, this Budget provides \$3.9 billion in resources to support long-term economic development and job opportunities and to improve the quality of life for Manitobans. That represents a 6.9 percent increase over last year.

It is my intention to introduce Interim Supply at the first sitting of the Committee of Supply. This will subsume the Special Warrant passed prior to the end of the last fiscal year to provide the initial spending authority for the 1986-87 fiscal year.

This Budget reinforces our commitment to jobs. By developing our resources, supporting our farms, encouraging small businesses and providing training and employment opportunities for young people, job creation will be sustained. Over \$528 million will be spent directly on Economic and Resource Development Programs — an increase of \$27.3 million or 5 percent.

When the immediate challenges of the recession were foremost in the minds of Manitobans, the Jobs Fund moved swiftly to co-ordinate and focus government initiatives to provide maximum support to the economy. Job protection and creation, and the maintenance of incomes and spending, was achieved through the construction of housing, provincial buildings and community assets and wage assistance programs.

As economic conditions improved, the Jobs Fund programming shifted to longer-term economic and human development initiatives. We successfully negotiated Economic and Regional Development Agreements to enhance our primary and transportation industries to secure the future role of the Port of Churchill, and to advance the prospects of tourism and cultural industries. Housing programs were emphasized to stimulate private residential construction. Youth programs were strengthened and focused on providing young people with badly needed training and job experience.

These initiatives have borne fruit. Construction activity was strengthened. Major projects such as Limestone in the North, and North Portage Development in Winnipeg are under way. Prospects for development of Manitoba's potash resource look promising. Increased housing and commercial construction is evident no matter where you travel through the province.

In the light of these favourable developments, the Manitoba Jobs Fund will be continued on a slightly reduced base.

In 1986-87, the Jobs Fund will direct \$197 million in resources towards a broad, long-term economic and human development thrust to ensure permanent, productive employment.

The Jobs Fund will continue to finance the crucial training program of the Limestone development.

The Jobs Fund will continue to provide financing for a number of provincial components of the Economic and Regional Development Agreements.

The Jobs Fund will finance agreements with private firms which will ensure permanent employment.

Employment and wage assistance programs will focus on youth, the future strength of our province.

It is estimated that 16,100 person-years of employment have been created through the Jobs Fund activity. The province as a whole has benefited. The Jobs Fund is still needed and will be a positive force for employment in Manitoba in 1986-87.

Earlier, I talked about the grave circumstances facing our farm community, the action our government has already taken and our recognition that more needs to be done.

Concerted action to support our threatened farm community is our top priority. I am pleased to announce a major \$12.2 million or 21 percent increase to the \$70.3 million in resources focused through the Department of Agriculture.

Our government is allocating \$6.5 million in Special Farm Assistance to further strengthen and reinforce our efforts under the Farm Aid Program. The funds will be used to assist farmers with excessive debt burdens to sustain their farming operations and to work towards long-term viability. Program monies will be directed, in particular, to individuals with demonstrated production and financial management capabilities.

Together with the capital authority of the Manitoba Agricultural Credit Corporation, these funds represent

a significant element in our enhanced commitment to deal aggressively with the acute farm financial situation.

The Estimates also include a \$5.3 million increase in support to Manitoba's income insurance funds.

Over the past three years, the Manitoba Hog and Beef Income Stabilization Plans have helped thousands of producers maintain herds and breeding stock.

Earlier this year, the Manitoba Minister of Agriculture signed an agreement to bring Manitoba into the National Tripartite Price Stabilization Program for Hogs. Under the new national program, premiums will be shared equally among the producers, the participating provinces and the Federal Government.

To allow Manitoba producers to enter the Tripartite Program with a clean slate, the Estimates will provide for a write-off of the deficit of the Manitoba plan.

This Budget reflects our continuing commitment to the Manitoba beef industry through the provisions of premium contributions and interest-free loans to the Beef Stabilization Plan. Producers see greater benefit in remaining with the Manitoba plan compared with the Tripartite Program.

Building the future of our agricultural community means helping secure retirement income for older farmers and fairer financing to assist young farmers get started.

This Budget provides resources to implement the Farm Start Program. Farm Start will provide loan guarantees of up to \$200,000 of the mortgage of a young beginning farmer who buys his or her land from a retiring farmer, and will help older farmers convert their land holdings into a retirement fund.

This Budget provides \$12.5 million in new non-budgetary capital authority for the Manitoba Agricultural Credit Corporation, including funding for Farm Start. This will supplement previously available non-budgetary capital authority of \$42.5 million to further support our farm community.

I would like to announce a further measure to assist farm families. The asset limit under the Child Related Income Support Program will be raised from \$50,000 to \$200,000 for the 1986-87 program year. About 1,500 additional families will qualify for CRISP under the new rules. These families will receive monthly benefits of up to \$30 per child beginning in July. Farm families qualifying for CRISP, all farm families, will also receive a special payment of up to \$360 per child.

The maximum benefit for a farm family with four children will be \$2,880, of which \$1,560 will be delivered in July. Total payments to farm families under this initiative are estimated at \$2.5 million.

Staff of the Department of Agriculture throughout the province will assist farm families in applying for benefits.

Later, I will propose some tax measures to assist agricultural producers.

Turning to Business Development and Tourism, small businesses account for a major share of the new jobs and new establishments in Manitoba.

Tonight, I am pleased to announce increased support to the small business community.

A new \$50 million Small Business Loan Fund will be established to assist new and existing firms in meeting their long-term growth and job creation potential. In its first year, \$10 million in non-budgetary capital authority will be provided.

In addition, a new Manufacturing Adaptation Program will provide \$1.1 million in lending authority to assist companies in the adaptation of new technology to increase productivity and to compete in interprovincial and export markets.

The Venture Capital Program will be continued.

Projects under the renewed Canada-Manitoba Tourism Agreement, along with the overall 12 percent increase in tourism expenditures, represent sound investments to attract more visitors to share the riches of our province and to increase economic opportunities and jobs for Manitobans.

In total, resources provided through the Department of Business Development and Tourism will increase \$1.3 million, or 8.3 percent to \$17 million. Additional support is provided through the Jobs Fund and through the \$18 million in non-budgetary capital authority, including the Small Business Loans Fund.

Our government will work with labour organizations to develop and implement a Labour Sponsored Investment Program. This program will allow qualifying investments to earn both federal and Manitoba tax credits.

Encouraging progress has also been achieved in housing over the last four years.

In the spring of 1984, a three-year construction target of some 1,200 public housing units was established. Over 800 units have been committed, and the target will be reached.

The surge of interest and involvement in cooperative housing projects is particularly heartening. One recently opened on Kennedy Street and several more are under way in downtown Winnipeg. Last year, Manitoba recorded one of the best records in cooperative housing in the country.

Private sector multi-unit construction has been assisted with the RentalStart and Rural RentalStart Programs.

The increased availability of rental accommodation is helping maintain favourable rents in Manitoba. For example, a couple can rent a one-bedroom apartment for about \$370 per month in Winnipeg. That same apartment rents for about \$420 in Vancouver and \$440 in Toronto.

Manitoba has some of the oldest housing stock in Western Canada. A new \$20 million Home Renovation Program will assist people in buying and repairing these homes in order to help preserve the quality and affordability of housing, renewing older neighbourhoods and creating jobs in the building industry.

Resources committed through the Department of Housing will total \$46.2 million, an increase of \$2.2 million or 5 percent. In addition, \$70.8 million in new non-budgetary capital authority will be provided to supplement the \$66.2 million available in carry-over authority for housing initiatives.

The Estimates also provide major resource commitments to our Highways and Transportation Program and for the conservation and enhancement of natural resources.

Spending through the Department of Highways and Transportation is budgeted at \$197.6 million. Resources provided for the budgetary programs of the Department of Natural Resources total \$84.9 million.

Capital programs included in the Jobs Fund have made an important contribution to the long-term

development of our communities. Building on the successes of the Main Street Manitoba and the Manitoba Community Assets Programs, a fund for rural development will be established to improve the quality of roads, bridges, and water and sewer systems in rural municipalities, towns and villages. Community facilities will be supported through a capital program funded from Lottery revenues.

Madam Speaker, we are at a crossroads in the history of our health, education, social and economic services. The Federal Government appears prepared to reduce its role in the federal-provincial partnership, which built the important social services which Canadians now rightly view as their cherished rights. Ottawa is proceeding with transfer cutbacks, which put increasing pressure on Provincial Government finances and, in so doing, place these services at risk, especially in the poorer provinces.

We are determined to protect public services from the federal cutbacks to the greatest extent possible. This Budget provides significant increases in resources to maintain vital services and supports for all Manitobans in 1986-87.

This Budget devotes over \$1.2 billion to meeting the health care needs of Manitobans, an increase of \$73.2 million or 6.4 percent.

Resources allocated through the Manitoba Health Services Commission increased by 6.5 percent, including a \$50 million increase for the Hospital Program and an additional \$6 million for Personal Care Homes.

The Health budget is large and increasing but so are health care needs. We are continuing to improve services.

Together with more than 150 skilled Manitobans, our government critically reviewed all aspects of current health care provisions. Specific concrete recommendations for action flowed from this review and action will be taken to emphasize less institutionally-based services.

Support for Home Care, helping elderly Manitobans remain in their homes, is increased this year by \$3 million or 15 percent. Research and planning for the health needs of older Manitobans is substantially increased. Community-based mental health services are augmented by 28 percent or \$569,000.00.

The increase in resources committed to health services is close to 10 times the increase in health and higher education cash transfers from the Federal Government, confirming the high priority this government attaches to these services for people.

Manitobans have a right to be proud of their achievements in education, perhaps the best investment we can make for the future. Some \$697 million is allocated for education in this Budget, an increase of 5.1 percent or \$33.7 million.

Manitoba's universities and post-secondary institutions play a pivotal role in meeting the higher educational and training needs of our citizens. Operating grants to universities will total \$161.8 million, an increase of 3.8 percent — more than double the 1.8 percent growth in health and higher education cash transfers from the Federal Government. An additional \$4.5 million is provided in capital funding. Funding for post-secondary adult and continuing education will increase by \$2.1 million.

Student Aid is strengthened with an increase of \$1.5 million or 19 percent.

Support for public schools is increased by 5.8 percent.

Together, health and education services continue to require 50 percent of our Budget.

A broad range of social services is supported by resources of some additional \$736 million, which is up 5.9 percent from 1985-86. This includes over \$200 million in direct services to Manitobans, a further \$200 million in economic assistance to individuals, over \$100 million in support to local governments through the Departments of Municipal and Urban Affairs, and Local Government General Support Grants, and over \$200 million in property and other tax credits.

Let me briefly outline some of these services.

Programs under Community Services will receive an 11.6 percent increase in resources.

Day Care is already more accessible in Manitoba than in most other Canadian provinces — we have more spaces per capita and spend more dollars per capita than anywhere else in our country except Alberta. But this is not enough — we must do more — more for infants — more for latchkey children — more for single parents and more for those families where both partners seek employment. This Budget takes another significant step in the provision of affordable Day Care with an increase of 13.6 percent.

Resources devoted for services, for family suffering marital stress and breakdown are almost double. A 21 percent increase is provided for Child and Family Services Agencies.

We continue to support community-based options for our citizens with mental retardation or other handicapping conditions. The Welcome Home Program, now well under way, will be strongly supported by this Budget to enable communities to accept and provide homes for all citizens, whatever their developmental needs or potential.

Services to children with special needs receive a 9.6 percent increase. Probation services, designed to assist in rehabilitation as an effective alternate to incarceration, receive an increase of 12 percent.

More than \$18.9 million in new funds is provided for services to the most vulnerable members of our society. We are proud of this visible priority on people in our spending plans.

Resources devoted to Employment Services and Economic Security are also increased substantially by \$23 million or 12.6 percent to \$207.2 million. This increase reflects our determination to meet the needs of social assistance recipients, many of whom are disabled or single-parent families.

As announced earlier this week, the Manitoba Supplement for Pensioners is being replaced with the new program 55 PLUS, with double the benefits and expanded eligibility. An additional 9,300 Manitobans will receive benefits. Maximum annual benefits will double to \$376 for single people and \$808 for couples. Total payments under 55 PLUS will rise to \$7.1 million this year.

To complement this extension, I am pleased to announce that effective for the 1987 program years, the Pensioners' School Tax Assistance Program and the Shelter Allowances for Elderly Renters will be broadened to extend eligibility to those age 55 to 64 on the same basis as the 55 PLUS Program. At present, eligibility under these programs is restricted to people whose major source of income is from pensions. This

requirement will be dropped and only income levels, regardless of their source, will be considered in determining benefits.

About 10,000 additional homeowners and tenants are expected to qualify for Pensioners' School Tax Assistance, and the SAFER benefits will be extended to 1,300 more renters whose rent payments are high in relation to their incomes. Details will be announced later this year.

Funds have also been allocated to support a new initiative, the Single Parent Job Access Program, designed to provide unemployed single parents, many of whom are on social assistance, with the support and work experience necessary to find employment.

Let me now comment briefly on Manitoba Properties and public debt costs.

A \$23 million increase in payments to Manitoba Properties Inc. is authorized in the Department of Government Services. However, as members know, financing through MPI secures an overall net saving of \$12 million to the province, in addition to long-term benefits of prudent and professional property management. Earlier this year, Saskatchewan emulated Manitoba and established the Saskatchewan Management Corporation to secure similar property management benefits.

The cost of servicing the public debt will increase \$59.3 million to \$322.3 million, or approximately 8.3 percent of budgeted spending — a substantial share, but more than three percentage points lower than Ontario's projected 11.4 percent share. Manitoba's debt charges remain lower on a per capita basis than all provinces to the east.

In summary, overall spending in many areas has been constrained tightly and in some cases reduced. Unfortunately, we have had to say "No" to demands we felt were legitimate, because of the tight revenue situation and our predominant focus on health, agriculture and jobs.

In total, these estimates provide for \$3.9 billion in 1986-87 to improve our social and economic well-being. They represent a sound investment and a vote of confidence in the future of all Manitobans. They continue our New Democratic Government's commitment to building a strong future — together.

I have already outlined our expenditure priorities, including the need to devote more resources to agriculture, education and health care. I have also talked about the costs of unfair taxation and our commitment to tax reform. And I have spoken about the threatened further erosion of federal support for vital services.

In the face of these realities, some tax increases are unavoidable. However I am pleased to announce:

There will be no increase in personal income taxes.

There will be no increase in sales taxes.

There will be no increases in taxes affecting small businesses, and

There will be no tax increases affecting farmers.

Increases will be confined to the minimum necessary.

The corporation capital tax will be increased from 0.2 percent to 0.3 percent, the same rate as in Ontario and lower than in Quebec and in Saskatchewan. The tax applies to corporations with capital in excess of \$1 million. The great majority of businesses in Manitoba



are not affected by the corporation capital tax. Only 4,000 out of approximately 40,000 corporations registered in Manitoba pay capital tax.

The special corporation capital tax rate on banks will be increased from 1.9 percent to 3 percent for the 1986 taxation year. The new rate is the same as that applied in Saskatchewan. Trust and loan companies will also have their tax rate increased from 0.6 percent to 0.9 percent. Credit Unions and Caisses Populaires are presently exempt from corporation capital tax, and will continue to be exempt.

The large business corporate income tax rate is increased from 16 percent to 17 percent, the same as in Saskatchewan, effective January 1, 1986. This change affects less than 15 percent of Manitoba's taxable corporations. Smaller businesses with taxable incomes of less than \$200,000 are not affected by this measure.

There are two changes in motive fuel taxes.

To offset the cost of inspecting vehicles using propane, inspections necessitated for reasons of safety, the special motive fuel tax rate on propane will be increased by 0.5 cents per litre to 5.3 cents per litre.

In addition, motive fuel taxation will be extended to compressed natural gas used in all internal combustion engines in lieu of taxation under the Revenue Act, 1964. The rate will be 7 cents per kilogram effective June 1, 1986. The motive fuel tax will apply both on and off the highway. The tax is lower on an energy equivalent basis than those applied to other fuels.

Water power rental rates will be increased by \$7 to \$11.75 per horsepower-year of output. Installed capacity rates will be increased proportionately. With the increase, Manitoba's effective rates will be comparable with those of British Columbia and Ontario.

The tobacco tax will be increased by 1 cent, from 3.1 cents to 4.1 cents per cigarette. The rates on fine-cut tobacco products will be increased proportionately.

These measures, along with some adjustments in fees and licences, will increase 1986-87 revenue by \$69.8 million.

Earlier this year, our government acted in an area of ongoing concern to the farm community — fuel prices. The rapid decline in world oil prices presented an important opportunity to reduce spring seeding costs for farmers. However, the oil industry refused to pass on these savings — threatening to place Manitoba farmers at a further disadvantage in relation to their American competitors.

A border-point dyeing program was instituted, permitting farmers to import gasoline and qualify for Manitoba's farm fuel tax exemption. The initiative has been successful in securing the benefits of lower world oil prices for our farmers. For the first time in many years, the oil industry passed the full benefit of the Manitoba farm fuel tax exemption on to our farmers. In fact, the price differential increased to more than the rate of provincial fuel taxes paid by non-farmers. Estimated savings already achieved are in the order of \$8 million or about \$250 per typical Manitoba farmer.

Representatives of various farm organizations and the province have met extensively during the last year to devise a permanent method of ensuring that farmers receive the full benefit of the Manitoba farm fuel tax exemption. Agreement was reached on replacing the current system of dyed fuel with a new Manitoba farm fuel tax credit administered through the income tax system.

Such a tax credit would:

- ensure farmers receive the benefits of the over \$30 million fuel tax exemption;
- broaden farmers' fuel purchasing opportunities;
- enable farmers to shop for the most advantageous fuel price;
- eliminate the need for dyed farm fuels;
- facilitate on-farm use of unleaded fuels; and
- simplify the storage requirements for rural fuel outlets.

Manitoba, therefore, asked for federal cooperation in administering the fuel tax credit on the 1986 income tax returns.

As proposed, in addition to the fuel tax exemption delivered through the dyeing system, farmers would be able to claim the tax credit based on farm fuel purchases this year. Over 30,000 Manitoba farmers would qualify for the tax credit. On average, each qualifying farmer would realize a \$1,000 benefit. Their credit would be delivered at approximately the same time farmers begin to make major purchases of taxable fuels in 1987.

Farmers will be surprised to learn that the Federal Government has not agreed to permit this important program to be delivered through the income tax system. I remain optimistic, however, that we will be able to overcome federal objections. If Federal Government concurrence is obtained by June 30, 1986, the new fuel tax credit will be available on 1986 income tax returns.

This Budget proposes that \$3.9 billion in resources be devoted to initiatives and services to help sustain and augment economic development and long-term job opportunities, while preserving and, in some important cases, improving vital public services. This is a 6.9 percent increase over last year.

Revenue will increase 8.3 percent to \$3.4 billion.

The total budgetary requirement is estimated at \$489.4 million, down 1.4 percent or \$6 million from last year's Estimates and down more significantly from the \$554 million projected for the 1985-86 in the Third Quarter Financial Statement.

This year's budgetary requirement, though substantial, is about 2.6 percent of Gross Provincial Product — down substantially from 3.1 percent in 1982-83 and the lowest share in five years. Budgetary requirements are lower in relation to the economy. I believe that this is the appropriate result as the economy improves.

After deducting planned capital spending of \$265.8 million, this year's net operating deficit will be \$223.6 million. To put the operating deficit in perspective, in relation to the economy, it represents 1.2 percent of Gross Provincial Product, compared with 1.5 percent projected for last year and 1.4 percent in 1982-83.

It is also about \$10 million less than the shortfall in equalization from the all-province national average.

Earlier I referred to the important impact federal decisions and federal actions have on our budgetary bottom line. This year's budgetary requirement of \$489.4 million would be significantly lower without the cumulative effects of past and planned cuts in higher education funding and there would be more funds available for our vital services.

Our government's capital investment plans will continue to play an important role in improving the

quality of life in Manitoba. Capital investment, both directly by the province and through our Crown corporations, make a significant contribution to the vibrance of our economy, provides construction and permanent jobs and improves our overall prospects and potential for the future.

Manitobans recognize the value of investing for the future. Critics who focus only on the borrowing necessary to undertake important investments would do well to consider the tremendous value of the physical assets and infrastructure, and the direct and indirect contributions these investments have made to the quality of life of people in our province.

As of March 31, 1986, our total direct and guaranteed debt stood at \$7.3 billion net of sinking funds. We could reduce it substantially if we sold some of the assets the investment financed that debt helped secure. For example, more than half our direct and guaranteed debt is related to Manitoba Hydro and the Manitoba Telephone System. These could be sold off and the debt reduced. But would we be better off? Would a family be better off by selling its home to pay off its mortgage?

Madam Speaker, I will be tabling tonight a summary of our government's non-budgetary capital authority requirements, totalling \$1.35 billion for the current year.

The requirements include a further \$940 million for Limestone, sufficient to authorize the remaining major contracts on this project. Approximately \$184 million is expected to be spent on Limestone construction during the year.

The non-budgetary capital investment program, including Limestone, is expected to total \$894 million in 1986-87, approximately 6.6 percent or \$55 million greater than last year. Apart from Limestone, the investment program includes major planned expenditures by Manitoba Hydro for its regular program — \$100 million; Manitoba Telephone System — \$149 million; Manitoba Housing and Renewal Corporation — \$137 million; the Manitoba Jobs Fund — \$119 million.

Planned expenditures of \$80.2 million are targeted to the agricultural sector through the Manitoba Agricultural Credit Corporation and the Beef Stabilization Fund.

Total borrowing requirements for 1986-87 are now estimated at \$1.4 billion, about the same as last year. The total includes budgetary requirements, non-budgetary requirements and refinancing of issues which mature during the course of the year. The Canada Pension Plan and other off-market sources are expected to provide \$137 million with the remaining \$1.3 billion to be raised through the public bond markets.

In conclusion, Madam Speaker, I'd like to say that Manitobans have a vision for the future; a future in which all Manitobans can participate; a future that will provide benefits for all within our society; a future where those requiring assistance and encouragement receive it fairly and with dignity.

This Budget moves us closer to that vision. No goal worth having can be accomplished in a single step. There are many more steps to be taken and a great deal more to be done before we have fulfilled Manitobans' vision for the future.

This Budget is an important building block for that future. We have set the stage for continued strong social

and economic progress. We are reaffirming the important principle that economic and social development do indeed go hand in hand. Meaningful progress can only be achieved with a fairer sharing of and a better access to the rewards of economic development.

We are proud of our efforts to aid the struggling agricultural community. Indeed, this Budget clearly demonstrates that this government is prepared to do, and is doing, more to help our farmers than any other government in the history of our province.

This Budget demonstrates our government's commitment to stand up for the needs of all Manitobans. We will not sit idly by as Manitoba services and jobs are threatened by poorly thought-out actions at other levels.

This Budget calls on all Manitobans to work together and to build for the future. It continues the Jobs Fund with a greater emphasis on longer-term development and permanent jobs. It helps our farm community directly at this time of crisis with a 21 percent increase in the Department of Agriculture resources, including \$6.5 million in Special Farm Assistance; the implementation of Farm Aid and Farm Start; timely and much needed special support for farm families of up to \$720 for each child, \$2,880 for a family with four children under the Child Related Income Support Program; and Manitoba fuel tax relief benefits which, if the Federal Government agrees, will be delivered directly to Manitoba farmers through their income tax returns so that they are not siphoned off by the oil industry.

It also provides for the 55 Plus Program for pensioners, delivering double the benefits of the former Manitoba Supplement for Pensioners' Program, and important extensions of Pensioners' School Tax Assistance and Shelter Allowance for Elderly Renters.

It sustains vital health and education services for all Manitobans with a \$107 million increase, almost \$100 million more than the \$7.5 million increase in federal help in higher education support.

It proposes limited tax increases, aimed at securing a fair share from big businesses to help pay for these measures. It recognizes the importance of comprehensive tax reform and fair taxation to the nation's social and political fabric. It shows we are prepared to stand up for Manitoba and to work co-operatively with the Federal Government to avert unfair cutbacks and secure fair federal support for important services. It secures a modest reduction in the budgetary requirements and sets the stage for further reduction as our economy improves.

The plans we have introduced today are sensible and practical. They will help Manitobans meet the challenges of the future, and make our province an even better and fairer place to live.

Thank you, Madam Speaker.

**MR. G. FILMON:** Madam Speaker, I move, seconded by the Member for Pembina, that debate be adjourned.

**MOTION presented and carried.**

## MESSAGES

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

Thursday, 22 May, 1986

**HON. E. KOSTYRA:** Madam Speaker, I have three messages from Her Honour the Lieutenant-Governor.

**MADAM SPEAKER:** The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, Estimates of sums required for the services of the Province for Capital Expenditures, and recommends these Estimates to the Legislative Assembly.

Le lieutenant-gouverneur transmet à l'Assemblée législative du Manitoba, le budget des sommes relatives à l'immobilisation qui sont requises pour l'administration de la province et recommande ce budget à l'Assemblée législative.

The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, Estimates of further sums required for the services of the Province for Capital Expenditures, and recommends these Estimates to the Legislative Assembly.

Le lieutenant-gouverneur transmet à l'Assemblée législative du Manitoba, le budget des sommes supplémentaires relatives à l'immobilisation qui sont requises pour l'administration de la province et recommande ce budget à l'Assemblée législative.

The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba, Estimates of sums required for the service of the Province for the fiscal year ending the 31st of March, 1987, and recommends these Estimates to the Legislative Assembly.

Le lieutenant-gouverneur transmet à l'Assemblée législative du Manitoba, le budget des sommes requises pour couvrir les dépenses relatives à l'administration de la province pour l'année financière se terminant le 31 mars 1987 et recommande ce budget à l'Assemblée législative.

The Honourable Minister of Finance.

**HON. E. KOSTYRA:** I move, seconded by the Minister of Health, that the said messages, together with the Estimates accompanying the same, be referred to the Committee of Supply.

**MOTION presented and carried.**

**HON. E. KOSTYRA:** I move, seconded by the Minister of Education, that this House will, at its next sitting, resolve itself into a Committee to consider of the Supply to be granted to Her Majesty.

**MOTION presented and carried.**

**HON. E. KOSTYRA:** I move, seconded by the Attorney-General, that this House will, at its next sitting, resolve itself into a Committee to consider of Ways and Means for raising of the Supply to be granted to Her Majesty.

**MOTION presented and carried.**

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

**HON. J. COWAN:** Thank you, Madam Speaker.

I move, seconded by the Opposition House Leader, the Member for St. Norbert, that the House do now adjourn.

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