

LEGISLATIVE ASSEMBLY OF MANITOBA

Monday, 29 June, 1987.

Time — 8:00 p.m.

CONCURRENT COMMITTEES OF SUPPLY SUPPLY - GOVERNMENT SERVICES

MR. CHAIRMAN, C. Baker: Committee, please come to order.

The Leader of the Opposition.

MR. G. FILMON: Thank you, Madam Speaker - oh sorry, Mr. Chairman.

MR. CHAIRMAN: That's no problem. I've been called worse.

MR. G. FILMON: Do you take that as a compliment?

MR. CHAIRMAN: I've been called worse.

MR. G. FILMON: Mr. Chairman, I wonder if the Minister can give a response to the allegation which I understand is in the Cormack Report that an effective procedure for handling psychological cases is lacking. Does the board have any procedures for handling psychological cases?

MR. CHAIRMAN: The Honourable Minister.

HON. H. HARAPIAK: I think the Leader of the Opposition keeps raising and referring questions from the Cormack Report. I have told him that the Cormack Report was an internal working document that was asked for by the Workers Compensation Board for the very purpose of improving the system in the area of handling claims.

I don't think that we should be responding to questions from the report. That report has been dealt with. The review committee had a draft copy of the Long-Term Review Committee's Report. I'll read to the Leader of the Opposition just what the review committee had to say about the long-term study.

It says: "For some time, the Workers Compensation Board itself has acknowledged its current delivery system may not be the best one for those injured workers with long-term disabilities. The board therefore established a Long-Term Disability Committee in March of 1986. In March of 1987, we obtained a draft copy of that committee's final report. The comments which follow are in response to this draft.

"While ideally we would have preferred to comment on the final version of the report, the board was unable to provide the final version prior to our deadline. It is unlikely that any major recommendations of the Long-Term Disability Committee will be changed in the final version and, because their general approach is of concern to us, we have chosen to comment on the report in its draft form.

"In its report, the Long-Term Disability Committee addresses many of the issues which were also concerns

of our committee. Our proposed solutions, however, are diametrically opposed. We favour a system which is basically self-policing, relying on information supplied by doctors, employers and injured workers. The Long-Term Disability Committee favours even greater intervention and direct control by the Workers Compensation Board of injured workers."

Now you're dealing with an internal study that was done, I guess, with their best intentions, and then we've got the review committee which was made up, as I've mentioned on previous occasions, of a chairperson who had been an injured worker himself, and had been the chairperson on the Saskatchewan Workers Compensation Board with many years of experience; Lisa Donner, who is a labour representative, had many years of experience in assisting injured workers in putting in claims; and Mr. Tom Farrell, a representative of industry, who is INCO's Workers Compensation employee in charge of all Workers Compensation for International Nickel, one of the biggest corporations in Manitoba.

Based on their experience, they differ in the views to the Long-Term Disability Committee. I'm not sure how you deal with two differing opinions of that sort. I would hope that we don't spend all evening discussing the Cormack Report, that maybe the Leader of the Opposition would like to table that report that he has and then we could all have it out

MR. G. FILMON: Mr. Chairman, I find this incredible. What gross incompetence for this Minister to be asking me to table a report which the King Commission has had since March of 1987, that has been available to the board of the Workers Compensation Board, according to him, since April of 1987. He has not been given this or has not had the common sense or the interest to ask for it himself? That is incredible! That is a statement of self-admitted incompetence for him to have said that.

Mr. Chairman, beyond that, he is talking about the solutions of the Cormack Report being diametrically opposed to the solutions which the King Commission would choose. I am not talking solutions. I am putting on the table the criticisms that are contained within that Cormack Report and asking for a response from either the chairperson or the Minister, and I'm getting none. You mean to say that you just simply acknowledge that it's all true and that this report tells how bad it is at the Workers Compensation Board and you have no response? That's unbelievable.

HON. H. HARAPIAK: The Leader of the Opposition is once again getting very emotional over nothing. I said to him I did have a copy. I had

MR. G. FILMON: A \$184 million deficit is not nothing, Mr. Chairman.

HON. H. HARAPIAK: At this time, we are discussing the long-term disability where there is no \$184 million deficit that the Leader of the Opposition has been told.

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MR. G. FILMON: Every single criticism leads to that loss and that deficit.

HON. H. HARAPIAK: I have said to the Leader of the Opposition before, I had received a draft copy of that long-term disability and, when I had taken it under consideration to discuss it, many of the comments that were in there were asked for verification, so the Long-Term Disability Committee is supposed to be coming back with the information on it. To this point, they have not come back with the information dealing with that long-term report.

MR. G. FILMON: Is the Minister telling me that he has no response to any of these criticisms? He doesn't know anything that's going on at the board and, for all he knows, all of these criticisms are valid?

HON. H. HARAPIAK: I have told the Leader of the Opposition that the report has been looked at. Some of the recommendations are being substantiated by it because there was no clear indication as to why they were making those statements. It was just drawn out from a long series of reports. We asked for some evidence that this was taking place. Up to this point, that hasn't come. The Long-Term Disability Committee is supposed to be coming up with that information. To this point, they have not come. The review committee had a copy of their draft report and they repudiated the report and they said that they were diametrically opposed to the opinions put forward in the . . .

MR. G. FILMON: No. You just said earlier they were diametrically opposed to the solution. Now, they weren't diametrically opposed to the information that's in the report. You said they agreed with the information to a large extent, but they were opposed in the solutions. Now you've changed your story, if you're now changing that.

Mr. Chairman, can you just tell me one little bit of information that I find interesting? The Minister said that the board wasn't given a copy of this report until April of 1987. Yet the King Commission received the draft copy in March of '87. Do you mean to say that the Cormack draft report was given to the King Commission before it was given to the board?

HON. H. HARAPIAK: The review committee was interviewing many people in Workers Compensation to get at a good understanding of what was happening in the Workers Compensation system. They interviewed Mr. Cormack and, at that time, he shared with them that he was in the process of tabling a draft copy of their study, and so they asked for a copy of that report at that time. The board did not have a copy of that report at that time.

MR. G. FILMON: I wonder if the Minister can indicate why an effective procedure for handling psychological cases is lacking at the board. How many years have they had to deal with psychological cases and not have an effective procedure?

HON. H. HARAPIAK: There is a board policy that has been in place for handling psychological conditions,

which has been in place since '86. There was a policy in place for a procedure developed in 1984, and this was revised in January of '86.

MR. G. FILMON: Since we're now talking about a report in March of '87 that says that there is not an effective procedure for handling psychological cases, is the board going to review that and come up with a proper procedure?

HON. H. HARAPIAK: As I told the Leader of the Opposition, this is also part of the area that the review committee looked at, and we are looking at all parts of the Workers Compensation procedures. In the final analysis, when we look at all the recommendations, if that's an area that we feel that there will be some changes needed, then we will be correcting that at the same time as we're addressing all the other policy changes.

MR. G. FILMON: Is stress the major problem that is classed as a psychological case?

HON. H. HARAPIAK: Stress is one part of the investigation, but I guess the main part is when there's no organic basis for pain but pain exists.

MR. G. FILMON: Can the Minister indicate what percentage of the psychological cases would involve stress?

HON. H. HARAPIAK: I am advised that there are presently about 300 cases that are related to stress.

MR. G. FILMON: Three hundred cases that are related to stress? Out of how many psychological cases?

HON. H. HARAPIAK: That was 300 cases with psychological components. In total, there were 300 cases.

MR. G. FILMON: And how many of them were related to stress?

HON. H. HARAPIAK: That statistic is not kept.

MR. G. FILMON: Is there any breakdown as to what the nature of those 300 cases might involve?

HON. H. HARAPIAK: I am advised that you would have to pull out the files and look at those cases individually, because many of them result from dramatic injuries that they may have experienced. I am personally aware of two cases where there were injured workers and then they developed psychological difficulties later. They were not able to cope with going back to work even though the doctor felt that there was no basis for it. They just had lost confidence in themselves and were not able to.

So I guess you'd have to pull the files of each individual case and see what may have started out as a very clear case of a broken hip or a broken leg and, later on, it turns out to have had some psychological effects. You would almost have to take each case individually and analyze it in that way. An injured worker

does not start out with a psychological problem. It usually starts out with an injury that takes place, and then they lose confidence and it develops into a psychological problem.

MR. G. FILMON: Is part of it because the rehabilitation process takes so long for them to become referred to rehabilitation and undergo whatever additional training that, by that time, they have lost confidence?

HON. H. HARAPIAK: I think that's one area that we have to be moving in is that rehabilitation should be starting very early. The board is looking at different ways of delivering some of this rehabilitation, so it can be delivered in an earlier method or an earlier process.

MR. G. FILMON: Within the past few weeks, I've raised to the attention of the Minister a number of areas in which the board's policy breaches the act, one of which was obviously the carrying of a deficit in the class funds. The other one was that instructions of the board were not to attempt to collect overpayments. The third one, as I understand it, was that the average earnings were being increased after a person was on compensation, as opposed to the act, which said that the person was only entitled to collect in accordance with the income, the wage that they had at the time of the injury.

I understand, as well, that the Cormack Report details section 34.1(1) of the act pertaining to pre-existing conditions is not being applied in totality. What comment does the Minister have on that?

HON. H. HARAPIAK: On the first one, you're referring to 66(1) of the act, which says that the board should be collecting the full amount of the assessment every year. We realize that's so, and I have explained on previous occasions as to why we were not proceeding with giving them an increase of 57 percent, which was required last year, because of our economy that was in the recovery stages. After the Minister consulted with industry, they felt they would prefer to get an increase over a three-year period of 20 percent per year, rather than a 57 percent increase at one time. So that's one of the areas that we will have to be addressing when we are discussing the legislation.

The other area, it was in our annual report that there was a clarification dealing with pre-existing conditions. There was a clarification of the 1972 policy in 1986. It addresses the view that the intent of the legislation is to cover situations where an injury is due to a combination of compensable injury and a pre-existing condition. Direction is provided in regard to considering all necessary medical documentation, pre-accident status, and whether the worker has returned to his pre-accident status.

You also mentioned the overpayments of some claims. Overpayments are generally collected. There are certain situations where, depending on the amount of the effort required to collect, it does not make it cost-efficient to collect. But in most cases, the overpayments are collected.

MR. G. FILMON: Since the Cormack Report, as I understand it, said that there appears to be a lack of consistency in the application of the pre-existing policy,

and that section 34.1(1) of the act pertaining to pre-existing conditions is not being applied in totality, I wonder if the Minister can indicate what is meant by that.

HON. H. HARAPIAK: I guess there is a policy that has been in place since August 1 of 1972, dealing with pre-existing conditions and second injury. That policy is in place and it's being practised. I guess it's his opinion that it is not being practised, but that's again one . . .

MR. G. FILMON: What of the lack of consistency? He's obviously saying that it is being applied, and it isn't being applied; there's no consistency. So what is being applied and what isn't being applied?

HON. H. HARAPIAK: I am not sure what he is referring to. The board is in the process of getting some of those statements clarified. Up to this point, they have not had clarification of that statement.

MR. G. FILMON: What about 34.1(1) of the act pertaining to pre-existing conditions not being applied in totality. What part of it isn't being applied?

HON. H. HARAPIAK: Once again, I am not going to be discussing the Cormack Report. The staff is in the process of getting clarification on many of Cormack's - which is one person's opinion of what is happening as it pertains to the Workers Compensation. The staff is presently dealing with that and getting further clarification with it, and there still has not been a final report of the Cormack Report. What the Leader of the Opposition has is a copy of the draft. Many of the statements in there are subjective. Therefore, I will not be discussing it until we have that information in full.

MR. G. FILMON: Mr. Chairman, this is a Minister who's supposed to know what's going on in the Workers Compensation Board. He's the one who's telling us that he's going to clean things up. He has no idea what's going on, and he either isn't interested enough to have taken the time to read the Cormack Report or to have discussed it with his board, or he has been kept in the dark about the whole thing. Under those circumstances, it's not a question of what he's prepared to or what he isn't prepared to discuss. He doesn't know anything about it to discuss it. He hasn't been briefed on it, he's been caught unaware, and he's in no position to discuss the issues of a report that is very damaging.

I forewarned him of this. For a month, I've been saying, there's damning evidence in that report. Why aren't you looking at it? Why aren't you doing something about it? Why aren't you making it public? What have you got to hide? Now, I'm attempting to make some aspects of it public, and he is saying he's not prepared to discuss it. The reason is that he's been totally kept in the dark and he doesn't know what's going on, and he just wants to cover up the mess.

HON. H. HARAPIAK: I have read the Cormack Report and I have discussed it with the board. The board wants to be sure of what effect it would be having in the Workers Compensation Board. So therefore . . .

MR. G. FILMON: So I don't have to go on a matter of privilege tomorrow, as I did with the Minister from Gimli, will you clarify whether you have or you haven't read the report? Because I tell you, just a day or so earlier or even within the past few hours, you said you hadn't read the Cormack Report and now you're saying you have. Which is the correct version, so I don't have to take you on a matter of privilege tomorrow?

HON. H. HARAPIAK: I have read a draft copy of the Cormack Report.

MR. G. FILMON. Oh.

A MEMBER: You said you hadn't, and that's in Hansard.

MR. G. FILMON: Mr. Chairman, I have some other questions, but the Member for Kildonan wants to talk about the pre-existing condition policy and so I'll let him interject.

MR. CHAIRMAN: The Member for Kildonan.

MR. M. DOLIN: Thank you very much. I will just take a second. I just want to understand if there is a distinction made between a pre-existing condition and a predisposition, a pre-existing condition being an illness or a pre-existing condition being a state of less than normal activity of a body part? Is there a distinction made between those two classifications and a predisposition for a certain type of injury or what have you?

HON. H. HARAPIAK: In section 34 of the act: "In this section "pre-existing or underlying condition" means a condition of the workman which existed or was discernible as an underlying condition before the accident and includes a neurosis and a psycho-neurosis."

MR. M. DOLIN: Okay. I still have some concern about the three categories that I've outlined not being really clear in that definition. Is a predisposition of something - if somebody for example has a weakness in a leg and then trips and falls, it's not the same as somebody who has muscular damage in the leg. I'm just wondering how, is there - you know, the Leader of the Opposition talks about some inconsistency in interpretation. I can understand that, if there is not clarity in those definitions.

HON. H. HARAPIAK: I guess the pre-existing conditions are the same. If those pre-existing conditions were the same for muscular disorder or a bad back, it's still a pre-existing condition that could effect an injury.

MR. M. DOLIN: Would this have to be - thank you. To the Minister or whoever: Would this have to be a diagnosable condition rather, than a weakness? That's what I'm saying; that's the concern I have.

HON. H. HARAPIAK: We are all made up of different conditions, I guess. You know, there is sort of a thin skull-theory and that is, if you and I were working in the same conditions and a hammer happened to fall on one of our skulls, that might be an injury, whereas

it might fall on another employee who has a thick skull and it wouldn't be an injury. So we are accepted in the condition we are in when we are hired. So you can't apply the same theory to every injury. I'm not sure if I made that clear.

MR. M. DOLIN: Okay, I won't pursue the line of questioning.

MR. G. FILMON: Another comment in the Cormack Report, Mr. Chairman, is that there is an apparent lack of control exercised on many files where chiropractic treatment is involved. What is the board doing about that?

HON. H. HARAPIAK: We have two chiropractic consultants who review all our files dealing with chiropractic claims.

MR. G. FILMON: Is that a new procedure?

HON. H. HARAPIAK: We have had one chiropractic consultant exercising that responsibility since 1981 and in 1983 there was a second consultant taken on in that role.

MR. G. FILMON: Why is there a lack of control then on those files in which chiropractic treatment is involved?

HON. H. HARAPIAK: Once again, that's one of the difficulties with dealing with a report when - I guess that's from his objective. That's his opinion. But again, the board has asked them to come up with some specifics on it and, up to this point, we don't have the specifics.

MR. G. FILMON: Mr. Chairman, why would this Minister indicate that these people who are not competent to do the report, if that's the case, then why were they commissioned to do this report?

HON. H. HARAPIAK: I didn't indicate that they weren't competent. I said they had done the report and many of the statements and recommendations were not substantive, so the board has asked them to clarify many of the recommendations that were brought forward.

I'm sure that the Leader of the Opposition knows what the terms of reference were to that report. Maybe, in case he hasn't got the entire report, I'll read to him the terms of reference. It's: "to evaluate all claimants where benefits have been paid for in excess of 12 weeks and recommend specific courses of action where warranted; to identify specific deficiencies in the handling process of individual claims and bring to the attention of the respective department director or his/her designate; define criteria to be used in the identification of potential long-term disability or delayed recovery claims; to develop a comprehensive paper and recommendations on suggested changes to policy and/or procedures that are seen to be deficient."

And the goals of the committee were: "to facilitate early and effective medical management as well as vocational rehabilitation involvement where warranted;

to identify and rectify systematic problems that come to a committee's attention during the execution of its mandate; and to provide direction in individual cases where deficiencies are identified."

I think that the Leader of the Opposition should realize that we could have asked for a patronizing report by patting everybody on the back and saying, hey, you're doing a good job. And I guess that's the difficulty with tabling an internal document of this sort. It's unfortunate that we are really dragging these two employees over the coals because they were working on a report which was going to be making the Workers Compensation a better system. They've made some recommendations, and we've asked them to substantiate the recommendations they've made and they're in the process of doing that. So they should realize that when it's an internal report, those people were doing the work thinking that it was an internal working document but now, unfortunately, we find the Leader of the Opposition has a copy of the report.

I think that, in future, many Crown corporation employees are going to be hesitant to put recommendations on the record knowing that at any time they could become political footballs. I know there are a lot of private corporations that have internal studies done on how they can make improvements into their system. So therefore, the private firms certainly don't have to make their recommendations and studies known to the general public.

I think if we're going to be having any efficient Crown corporations, we have to have that freedom for the employees to participate in studies and come forward with recommendations to make improvements where they see there are shortcomings in the existing system. I just said the Leader of the Opposition chooses to use it as a political football, and obviously that's what he's doing at this time.

MR. G. FILMON: Mr. Chairman, in case the Minister hasn't noticed, it's not Doer and Cormack that I'm dragging over the coals. It's the Minister and the board.

I fully accept that Cormack and Doer did an excellent job and a great service to the Workers Compensation Board and to the people of Manitoba by doing a very thorough and objective analysis of some major weaknesses in the board. Now of course that these weaknesses are being aired publicly, the Minister is dumping all over Doer and Cormack, saying that they didn't know what they were doing and they were lacking information and that they aren't correct and all of those things, without giving any information to substantiate his position. He is the one who is dumping all over them.

If he would only come clean instead of being so defensive about this, we might attempt to find some ways to improve the operations of the board out of Doer and Cormack instead of him just simply defending the board at every opportunity and saying that it's Doer and Cormack who have got it all wrong. I tend to believe that they are pretty close to the truth in a lot of the things and that the board and the Minister could learn a lot and benefit a great deal by, in fact, reading these criticisms and responding positively instead of negatively to them.

HON. H. HARAPIAK: That was the whole intent of the Board of Commissioners asking for a report. They are

concerned that some length of time has been taken to handle the claims and that is why they asked for the report, that long-term review committee, to deal with this area in the first place.

They have come up with a report and nobody is saying that we rejected the report, or we have said they are incompetent. What we did say is we have asked them to substantiate the recommendations and the statements they have made. That's all we've asked, and they are in the process of doing this right now.

I would suggest that when we are dealing with the entire reform, that some parts of the Long-Term Disability Committee will be used, along with many other building blocks which include the review committee and some of the other Workers Compensation systems that operate across Canada, because I don't think that we have to reinvent the wheel in every instance. If there are some parts of the Ontario system, the Quebec system or the Saskatchewan system that are working in a humane, effective way, then we should be willing to glean that information from those systems and make ours a more humane, cost-efficient system.

A MEMBER: It's not humane and it's not cost-efficient

HON. H. HARAPIAK: The Member for Portage la Prairie said why didn't they get that information. They are employed in those very areas, so they are working directly with those claims, so I'm not sure why they wouldn't have got - they did get the information, and possibly they didn't supply enough of the information when they were submitting their draft report.

MR. G. FILMON: Mr. Chairman, last summer sometime, the Provincial Auditor did an investigation at the Workers Compensation Board into certain allegations against Mr. Kurbis, and happily I think, most of the allegations against Mr. Kurbis, personal allegations - in fact, I believe all the personal allegations were unsubstantiated and he was cleared of that.

Among other things, in the Auditor's report were some rather strong statements about hiring and promotional practices at the board that resulted, as I understand it, in new hiring and promotion practices and procedures policy being implemented as of the beginning of this year.

Part of the report of the Provincial Auditor that was not made public involved an investigation into the relationship between the Labour Director on the Workers Compensation Board, and the Claims Director. I wonder why that part of the report was not made public.

HON. H. HARAPIAK: I am not aware that was part of the report or part of the investigation. It was not part of the report that was tabled. Part of the report, the Auditor's recommendations, they are dealing with the Auditor's report, and that's dealing with hiring and promotion practices. That's been in effect since January 7 of '87. He also reported that there should be a purchasing and tendering procedure. They upgraded them in the first quarter of '87 as well.

There's a full utilization of the Queen's Printer and the government printing consultant, and Supply and Services are now in effect.

They also recommended that an internal auditor would be hired. That position has not been filled to this point but they're looking at filling that position, an internal auditor.

It says a procedures manual for personnel policies and procedures in general administration matters should be developed. They are in the process of developing that by senior management at this time.

MR. G. FILMON: Is the Minister telling me that the Auditor did not look into the relationship between the Claims Director and the Labour Director on the Board of Commissioners of Workers Compensation Board.

HON. H. HARAPIAK: That was not part of the report that I have seen.

MR. G. FILMON: That's not the question I asked, Mr. Chairman. I know what report was tabled publicly. I want to know whether or not the Provincial Auditor investigated that relationship and reported internally on that relationship.

HON. H. HARAPIAK: The Auditor reported to the Minister of Finance. The only report that the Workers Compensation Board, the directors, are aware of is the report that they received.

MR. G. FILMON: Is the chairperson saying that she was not aware of any investigation that the Provincial Auditor did into that relationship between the Claims Director and the Labour Director on the Board of Commissioners?

HON. H. HARAPIAK: The Auditor had asked the chairperson of the board questions on it, but she is not aware of what had come of it because there wasn't any reference to it in the report.

MR. G. FILMON: I wonder if the Minister can indicate - the Director of Claims was promoted at a time, in 1983 by the board, when she had no supervisory experience, she had no post-high school training, moved from a position of being a claims officer to acting senior claims officer to director in six months, jumping over many people with 20 years experience and supervisory experience as well, people who had university degrees and supervisory experience, 12 to 15 years of work with the board. On what basis was that promotion made?

HON. H. HARAPIAK: I am informed that she was the only internal applicant and she had extensive experience in that whole area of handling claims. It was an internal applicant.

MR. G. FILMON: Was the position advertised within the board?

HON. H. HARAPIAK: Yes, it was advertised within the board.

MR. G. FILMON: And she was the only applicant for that position?

HON. H. HARAPIAK: She was the only applicant, that's correct.

MR. G. FILMON: Was the Minister made aware, or his predecessor, of concerns about the fact that there was a personal relationship between the Labour Director on the Board of Commissioners and the Claims Director, and that there could be influence over policy decisions or even claims decisions as a result of that relationship?

HON. H. HARAPIAK: Yes, I was made aware of it. I was told that it was not affecting the work that the Claims Director was carrying out. So I thought that, in this day and age, I shouldn't be becoming involved in discussions of that sort. I shouldn't be discussing it as a moral issue. I thought that, if it would be affecting her performance as a Claims Director, then the board of directors should be addressing it. But from what I have heard, her work habits were not affected.

MR. G. FILMON: Mr. Chairman, may I just clarify that I am not approaching it on the basis of a moral issue and I'm not approaching it on the basis of concern about work habits being affected. Who informed the Minister that there was no problem with this relationship and it didn't have any effect on the operations of the board?

HON. H. HARAPIAK: I was made aware of it by some media inquiries, and I raised it with the chairperson of the board and had a discussion with the chairperson of the board.

MR. DEPUTY CHAIRMAN, M. Dolin: The Member for Tuxedo.

MR. G. FILMON: Does the Minister not see any potential for conflict of interest in that situation, whereby the Claims Director could be influenced on a personal basis to bring forward changes in policy or procedure with respect to settling certain claims, let's say for instance, a policy on stress that would see stress claimed as an illness and workers put on indefinite Workers Compensation benefits as a result of a physician indicating simply that the applicant is under stress when in the workplace and, if that were a desire on the part of labour, for instance, to be brought in as a policy, the Claims Director could be influenced to recommend that kind of policy and those kind of settlements?

HON. H. HARAPIAK: Policy recommendations come from many different areas but, in final, the board of directors are the ones who set the policy. They could be influenced by industry, by the industry rep, and I would hope that they would influence the policy, that's their role on the board. So I would think that there is some influence coming from industry reps, from labour reps and an impartial chair. So overall, I hope they would come up with policies that are geared towards meeting the needs of injured workers, and also make it a cost-effective Workers Compensation plan.

MR. G. FILMON: But if one of the three people on the board of directors wanted to see a certain policy adopted and could somehow convince the Claims Director to have that policy recommended to the board, then that would be an easy way of achieving that one

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person's goal of having it brought in by an independent staffperson and then be able to be introduced as a policy. Do you not see the prospect of that happening?

HON. H. HARAPIAK: Before any policies are implemented, they are circulated to all directors of Workers Compensation, and all directors have an opportunity to use whatever influence they would like. I'm sure that they do lobby and try and influence the Workers Compensation system if there's some need for change in policy. Would the pressures be any greater on that? I guess it would depend on the individuals.

MR. G. FILMON: Wouldn't it be a lot easier to influence that if a key senior staffperson had a close relationship with that director?

HON. H. HARAPIAK: I'm not sure if that would be any more influential than having a close personal friend. I have many close personal friends who are influencing me in the area of establishing policy within government. Is that pressure? I think that we are all subject to a bit of pressure from outside sources, and I think that we have people who are capable of making the proper decisions.

MR. G. FILMON: If those personal friends were politically appointed, then the Minister would obviously be in a situation where he'd have a nice, cozy circle of his own personal friends also being politically appointed and also helping him to help each other influence government policy. That's the kind of cozy little circle that obviously this NDP administration sets up as often as it can. He obviously understands what I'm after.

HON. H. HARAPIAK: He has a different opinion than I have. I feel that we get influenced and lobbied. Every day of our political life, there is someone trying to influence us as to some direction we should be moving in in policy. Obviously when a board of directors is setting policy at the board level, they're going to be lobbied by people as well.

MR. G. FILMON: Is it a lot easier to influence when there's a close personal relationship between the influencer and the influencee?

HON. H. HARAPIAK: Not necessarily. It might be harder.

MR. G. FILMON: The Minister is in a dream world if he expects me to believe that.

MR. DEPUTY CHAIRMAN: The Member for Portage la Prairie.

MR. E. CONNERY: One of the things I've come across was that there is now a board executive. Can the Minister tell us when the board executive was set up, established?

HON. H. HARAPIAK: I'm sorry, I missed the first part of your question.

MR. E. CONNERY: The board executive, the board now has an executive. Could you now tell us when this board executive was established?

HON. H. HARAPIAK: Yes, that was one of the recommendations of the Auditor, and that has been in place since September of '86.

MR. E. CONNERY: September of '86. Is it in the Auditor's Report? I don't recall seeing it, that being a recommendation of the Auditor, but it could be. Is it?

HON. H. HARAPIAK: They had meetings with the Auditor and that's one of the recommendations that the Auditor made, a verbal request that the Auditor made of the Board of Commissioners.

MR. E. CONNERY: What was the rationale for that recommendation?

HON. H. HARAPIAK: It formalized the process for making decisions on expenditures and procedures.

MR. E. CONNERY: Who is on the board executive?

HON. H. HARAPIAK: The three Board of Commissioners and the Chief Executive Officer.

MR. E. CONNERY: Is that the same as the board? Is that the same actual number of people who are on the board?

HON. H. HARAPIAK: Yes, they are called executive meetings, but they are the Board of Commissioners, plus the Chief Executive Officer attend them.

MR. E. CONNERY: These meetings are held then in camera.

HON. H. HARAPIAK: There are executive minutes kept to those meetings.

MR. E. CONNERY: But it's an in camera session. The full minutes are not reported when it comes back to the regular board meeting.

HON. H. HARAPIAK: It is more of an administrative function where they deal with staffing and things of that sort. There is more normal day-to-day operations of building maintenance and responsibilities of that sort.

MR. E. CONNERY: Of course the King Report was very critical of the board conducting meetings in this fashion. The information that should be available to the board is not being made available, of course, in the regular minutes.

MR. DEPUTY CHAIRMAN: Excuse me, could I interrupt the member. We've had a request to pull the mike over closer to you, please. Thank you.

HON. H. HARAPIAK: The review committee has made many recommendations. We have said on previous occasions that we will be looking at all of the recommendations of the review committee at one time. So we will be dealing with all of the recommendations, and one of their recommendations is that more information become available.

MR. E. CONNERY: So the Minister is satisfied that having minutes in confidentiality is the appropriate way to go. Is this another form of cover-up, because it is a change. I just don't buy the fact that there should be minutes that aren't reported in full.

HON. H. HARAPIAK: They're not confidential reports. They do - all the names are minuted in these minutes that are kept. They are not confidential reports. The report is not distributed publicly because of personnel issues that they raise. Normally, personnel reports aren't tabled for the public to see when personnel issues are raised.

MR. E. CONNERY: I just can't accept that. You have changed very recently and it looks very suspicious when, all of a sudden, because the minutes of the executive are not appended to the regular board minutes.

HON. H. HARAPIAK: The minutes of those meetings are available to all board members and directors also. I'll get copies of those. They're available for them to read.

MR. E. CONNERY: I would like to read into the report here today some of the complaints that workers had. This government has said that they have been a very compassionate government, that previous government was not a compassionate government. You've had reform, you've been doing all of these good things, and you've been in power for five years. Why would workers say they would benefit from less talking and more listening? Why would they say that staff members don't treat you like you're a human being, I've felt like a lower person than anyone else. One stated a preference for welfare, saying welfare officials are far more willing to listen. Another says, criminals have rights, injured workers have no rights. You give up every right as a human being except the right to vote.

Now this is in regard to an operation that this Minister calls a very humane, a very sensitive, very concerned about the children, widows, dependent children. It says, Workers Compensation Board only wants to pay for eight hours but to control you for 24, and then it said in the last one that we have here says, they take away a man's dream. Now, Mr. Chairman, I find these not the comments that would be made of a compassionate Minister, of a compassionate government, and of a board that was doing their job anywhere close to reality.

HON. H. HARAPIAK: Mr. Chairman, I guess when you're dealing with 54,000 claims and there are - you know, the Member for Portage likes to have it both ways. They're saying that we are approving all claims that come forward and that's why we've got a deficit like we have, and now they want to believe that there are people whose claims have not been dealt with or who have been rejected. There is an appeal process that can be followed and is followed but, when you're dealing with that many claims every year, there are bound to be some people who are dissatisfied.

There are some claims, and that person made a submission to the review committee, who has been appealing now, well, for all the time that I've been in government and he was around before I became

elected. He was appealing at that time and he's still in the process of appealing. So, how can you control how people feel?

When the review committee was going around and listening to the hearings, unfortunately, they didn't say, anybody who's been dealt with in a very humane, effective way, any of the injured workers and defendants who have been treated fairly by Workers Compensation, come on out and give your story. They were asked to critique the Workers Compensation system. And again, they did it in an effective way, they critiqued it. So when you critique a system, you're going to come up with some criticism.

The people who are coming out to make their complaints known are people who have had their claims rejected or - I'm not sure what specific cases - but there are cases when you deal with 54,000 claims, and this is compiled over many, many years. There hasn't been a review of the Workers Compensation since 1957. Surely there are going to be a lot of people who are coming forward and they have complaints.

I'm sure that some of the complaints coming forward were for the years when the Tories were in government that they didn't handle. As for the one particular one I'm referring to, it was in place before we formed the government. So obviously, he had a complaint against the Workers Compensation system before we got in. So we should maybe put that additional bit of information in there and ask him, are you complaining against the Tory government or are you complaining against the New Democratic Government.

All we are telling you is there have been a lot of changes in the system. The system has become more humane. There were four reports that were outstanding when we formed the government. We have moved and implemented the majority of those recommendations on those reports. If you want positive feedback, we can go out there and get you some stories of where people had been dealt with in a humane and effective way. So if you choose to listen to people who are not satisfied with the system, I guess that's your prerogative.

MR. E. CONNERY: Mr. Chairman, obviously if this individual had been treated fairly, then after this government came into power five years ago, this person wouldn't have been there criticizing the Workers Compensation Board. So really, what we see and what we're going to show is that the Workers Compensation Board is an incompetent, insensitive board, managed by an incompetent, insensitive Minister and an incompetent, insensitive government.

Mr. Chairman, why does it take 21 months for cases to go through the appeal system? Why does it take 21 months? If that person is in real trouble and needs money and isn't getting paid, 21 months is not an acceptable level.

HON. H. HARAPIAK: The member makes a statement that it's an insensitive government. I guess you could multiply that statement over many times when you deal with insensitive governments. They were the insensitive government, because there was no rehabilitation system when they were in government. I think that you look at the recommendations of the Cooper report that was tabled in the House when Mr. Cowan was the Minister,

there's one response after another which showed that the previous government was insensitive. They did not deal with people in an effective way.

We have established programs which do make it a more humane system, for example, the Workers Advisors Program, which has helped deal with many outstanding claims that have not been dealt with for years and years. I know from my own constituency, there are several claims that were settled, that these people had not received their proper due for many, many years, and they were settled with the Workers Advisors Program when they showed the people how to put together a submission and how they should go about it.

I guess one other point I would like to make, the Member for Portage la Prairie keeps referring to it as a workmen's compensation system. I would hope that he would come into the 20th Century here and know that it is a "Workers" Compensation, because we have many workers who are of the opposite sex. Many of them have been injured in the workplace as well, so that it's a Workers Compensation system, not a "workmen's."

MR. E. CONNERY: The Minister is absolutely right and I apologize for that slip of tongue. It is the Workers Compensation Board, no question.

Can the Minister tell us why it takes up to three months for an initial pay cheque to be issued, up to three months for an initial pay cheque?

HON. H. HARAPIAK: I am informed that, in the majority of cases, the cheque is issued within eight days.

There are cases where there are appeals and again there are sometimes claims that are questionable and there's some need for some additional information. So there may not be enough information to make a decision on it, and we recognize that there are some difficult decisions to be made and an injured worker has a right to appeal, and the appeal process does take a long period of time.

There are some recommendations by the review committee of how this can be improved and, once more, we will be looking at that and doing an assessment of what this will do to the costs of the operation. We will be making recommendations, and all of the recommendations at one time.

MR. E. CONNERY: What happened in 1985 when, in the Claims Department, the length of time required to produce the first cheque went from an average of 14 days to over 25 days in 1985, and stayed high or higher thereafter? Did you plug into a computer or something? Well, something went wrong.

HON. H. HARAPIAK: That was done in 1985 and it was done manually, a random sampling. It was done for financial purposes.

MR. E. CONNERY: But it says that's the length of time it takes to get a cheque out, the average length of time. This is not just a random sampling; this is the average length.

HON. H. HARAPIAK: I'm informed that those figures include, from the date of notification, that it usually

takes eight days from the time they get the file, but there may be many delays in the claim coming to the Workers Compensation Board. There could be a delay in industry making the file, or there could be a delay in the worker making his report, or reporting the injury. So there are many delays that could cause that long period.

MR. E. CONNERY: Why did it almost double in one year? Something went wrong. Something changed, some procedure. If that was the case, it would have been consistently like that, but it almost doubled in one year, 1985.

HON. H. HARAPIAK: Once again, the member is using selective figures and he is using some figures from the King Review Committee, and we are still in the process of pulling all the information together. We have not had an opportunity to assess it completely, and there are some recommendations dealing with that.

I am told that isn't the time that's used for a normal claim.

MR. E. CONNERY: On page 3218 of this year's Hansard, the Minister referred to study after study on the cost of rehabilitation.

Can the Minister tell us what studies these are that he's referring to?

HON. H. HARAPIAK: There were six studies. Some of them are based in Manitoba, a University of Manitoba study, I believe the University of Minnesota, and also there is a study from Wisconsin, and there are several other studies that are based on American statistics.

MR. E. CONNERY: How many studies, in total, and are those studies publicly available?

HON. H. HARAPIAK: We can provide you with a bibliography of where these studies are available.

MR. E. CONNERY: I would appreciate that, if you can give it to me in writing another day.

How long does it take for a claim, once it is finalized, to go to the rehab department?

HON. H. HARAPIAK: It doesn't necessarily go to the rehab. It depends on where the claimant goes. But they are working to a goal, a two-week processing of claims.

MR. E. CONNERY: I'm talking ones that are finalized to go to the rehab, not all of them, ones that are going to the rehab specifically.

HON. H. HARAPIAK: Two-week periods is what they work on.

MR. E. CONNERY: Can that be substantiated, because my information tells me it's four to six weeks?

HON. H. HARAPIAK: It used to be four to six weeks but that has been reduced. In the last four months, it has been improved to two weeks.

MR. CHAIRMAN, C. Baker: The Member for Portage.

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MR. E. CONNERY: I'm happy to see that improvement. Is the claim paid while it's in the holding pattern? How many claims are in the holding pattern for any given month? What would be the average number of claims per month waiting?

HON. H. HARAPIAK: Yes, the claims are paid but it depends on how many accidents there are. There is no average month; it fluctuates on the employment picture. There are many factors that influence how many claims come in.

MR. E. CONNERY: Okay, then what was the total for 1986?

HON. H. HARAPIAK: For rehabilitation?

MR. E. CONNERY: Yes, and in the holding pattern. They'd have to be one and the same.

HON. H. HARAPIAK: As of December 31, 1986, there were 1,474 active claims in the rehabilitation department.

MR. E. CONNERY: Fourteen seventy . . .

HON. H. HARAPIAK: Seventy-four, 1,474.

MR. E. CONNERY: What was the cost of this number while they were in that holding pattern?

HON. H. HARAPIAK: I'm not sure what you're referring to when you are saying the holding pattern.

MR. E. CONNERY: Well, while they're waiting, after they're finalized, before they get into the rehab. What was the total cost of that period of time?

HON. H. HARAPIAK: It changes every day. Some claims come on, some are going off. So there is no constant level of claims. We would have to pick a day and say what were the costs for that particular period. It fluctuates daily.

MR. E. CONNERY: I'm not asking for the daily, I'm asking for the year 1986. What is the cost? Now, if the Minister doesn't have this . . .

HON. H. HARAPIAK: Yeah, we've got that information. They're just looking for the information, so you may have some other questions you may want to ask while they're looking for that information.

MR. E. CONNERY: How many new workers were in the rehab in 1986? You said that 1,474 - would that be the number that went into the rehab in 1986?

HON. H. HARAPIAK: Yes, that was the total.

MR. E. CONNERY: That was the new workers. How many in total are in the rehab at this point? This is a new question. What's the total in the rehab?

HON. H. HARAPIAK: At the year-end, that's how many injured workers there were in the rehabilitation in total,

and that went up from 1,200-and-some the previous year.

MR. E. CONNERY: My question was: How many new ones earlier went in, in 1986 into the rehab program?

HON. H. HARAPIAK: Approximately 200 - there was 1,200 and some on December 31 of '85, and then it went up to 14.

MR. E. CONNERY: A little over 200 increase.

HON. H. HARAPIAK: A little less than 200. It was 1,294 at the end of 1985, and 1,474 in 1986.

MR. E. CONNERY: Yes, 180.

HON. H. HARAPIAK: You asked for the cost of the breakdown for rehabilitation?

MR. E. CONNERY: Well, the cost, while they're in that holding pattern, from the time that they've been finalized till the time they start rehabilitation.

HON. H. HARAPIAK: For 1986, it's \$261,429.98.

MR. E. CONNERY: So by decreasing the holding time to two weeks, if this is the right figure, you've initiated some large savings or there was overexpenditure in the previous period when it was four to six weeks or whatever the time period was.

HON. H. HARAPIAK: There may be some savings in one area, but then they get on to rehabilitation process sooner. So whatever you save in one area, they will be paid in rehabilitation. But then if they get on the rehabilitation sooner than they would be, it will be cost effective. They'll be off that sooner as well.

MR. E. CONNERY: Well, yes, if they're waiting for rehabilitation, Mr. Chairman. Obviously, in the holding pattern, rehabilitation isn't taking place. The longer the delay from the time that they're approved to go to rehab, the more it costs us because technically they're not being rehabilitated. That's the whole idea in going into rehabilitation. If we could reduce that figure to nil, then of course we could save some significant amount of money. I know that's impossible but, you know, it's not cost effective by having them in a holding pattern, it's costly to have them in a holding pattern.

HON. H. HARAPIAK: Very clearly, that's the secret to the whole Workers Compensation becoming very cost efficient; it's to get the injured workers on rehabilitation as soon as possible, and there are some examples of how that can be moved up to a much shorter period. We're looking at all those recommendations as to how we can start the process sooner.

The caseload for 1981 - we're talking about the rehabilitation and I guess we want to make a reference to the caseloads for the counsellors. In '81, there were 185 claimants to each counsellor. In 1986, there was a ratio of 78 to one, so that caseload has been reduced a long way. I guess that's one of the areas that is becoming more cost effective.

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MR. E. CONNERY: Can the Minister tell me how many people in total have gone into the rehabilitation since its inception? Is that figure available?

HON. H. HARAPIAK: We would have to take out our close-outs in the last three or four years and then add in our intakes, and we could come up with a figure there. We haven't got that, it's not one of the statistics that we keep.

MR. E. CONNERY: How many received permanent placements in the last year?

HON. H. HARAPIAK: There were a number of claimants who returned to accident employers, 264; the number who returned to an alternate employer was 88; the number with transferable skills identified was 23; transferable skills obtained is 30; the number who received institutional retraining was 5. For the number who made a lump sum request, one. There are two who are on pension augmentation. There are 82 who had no rehabilitation warranted; 79 where there was recovery from compensable injury; 22 were from non-compensable injuries; 12 deceased. Is that the information you wanted?

There were 67 who were unavailable for the rehab process, and there are . . .

MR. E. CONNERY: Unavailable?

HON. H. HARAPIAK: Unavailable. And there are 41 who were retired from the labour market.

MR. E. CONNERY: What happened to the 64 unavailable?

HON. H. HARAPIAK: If they are not available for the rehabilitation process, their file is closed.

MR. E. CONNERY: So they don't receive any payments?

HON. H. HARAPIAK: That's correct.

MR. E. CONNERY: All those who went into permanent placements and whatever, how many received wage loss - like they're not back at their full, pre-accident pay - how many of them would be receiving some wage reimbursement?

HON. H. HARAPIAK: During 1986?

MR. E. CONNERY: For 1986, yes.

HON. H. HARAPIAK: During 1986, a total of 846 injured workers received wage loss and pension augmentation. They were unable to return to the position they held during the time of their injury.

MR. E. CONNERY: What was the cost of that for 1986?

HON. H. HARAPIAK: The cost for 1986 was \$3,613,998.00.

MR. E. CONNERY: How many workers, in 1986, were on permanent and partial disability pensions?

HON. H. HARAPIAK: The total number of permanent and disabled workers . . .

MR. E. CONNERY: Permanent and partial - permanent partial.

HON. H. HARAPIAK: Permanently disabled were 4,642. There, it would be the same figure. That's permanently and partially disabled.

MR. E. CONNERY: You don't have a breakdown on that.

HON. H. HARAPIAK: No.

MR. E. CONNERY: I think the Minister said before, some of those numbers that went out to the rehab, some of them went to vocational rehab programs like business schools and universities. Were those mentioned in that list of figures you gave me earlier when you had that long list?

HON. H. HARAPIAK: Yes, they were.

MR. E. CONNERY: Do you have a cost? Is there a cost as to what it was for those particular things like the vocational, university, whatever, Red River College?

HON. H. HARAPIAK: I think, if the member turns to his annual report, all the figures are listed on Vocational Rehabilitation Services on page 11 of the annual report.

MR. E. CONNERY: Okay. If it's there, I will find it.

Some of the people going into the vocational training, did some of them have jobs before they went into vocational training and went into a particular training because they had a job?

HON. H. HARAPIAK: They had a job before they got injured. There is some different training required sometimes because if the injury prohibits them, if they were in the area of physical work and then they have a back injury, then they would provide training that is different than what they have had previously. In some other cases, a person might have the qualifications to become an engineer or something of that sort, which wouldn't require the physical work, so they could train in that area.

MR. E. CONNERY: But the question is, the assumption is vocational training is when you are going to train them for something different from what their previous vocation was. That's the whole idea of vocational training. Do some of these people have a job, or is it just done on an assesment that this is the kind of thing they should be doing? How do you determine what vocation they go into?

HON. H. HARAPIAK: They would do an aptitude test on the individual and then they would do a study of what the market requires and then, based on the aptitude and what is required in the market then, if the person has the capability, then they would give them some vocational training in that area.

MR. E. CONNERY: Who determines what the market is for jobs and who would determine then what vocation they should be placed into?

HON. H. HARAPIAK: The counsellors would make a determination with the assistance of some outside agencies that are involved in placement of workers.

MR. E. CONNERY: How many workers are there in the rehab who have non-work-related, pre-existing conditions?

HON. H. HARAPIAK: They would have to look at every file and every case individually to make that determination. That statistic is not kept.

MR. E. CONNERY: Do you have any idea? Is it a significant number, you know, 5 percent, 10 percent, 20 percent?

HON. H. HARAPIAK: That statistic is not kept, but it is a significant number.

MR. E. CONNERY: Are there any in there solely with non-work-related, pre-existing conditions?

HON. H. HARAPIAK: I guess the Member for Portage seems to have the idea that those people are coming forward with some injuries. When they are hired, the employer hires them in the condition that they're in. So there may have been some previous condition in the person's body that the employer was not aware of, maybe that the worker wasn't even aware of, but it comes forth when there's a little bit of a strain put on the human system. Then some part of it may break down. So it's difficult to say what the pre-existing condition was.

MR. E. CONNERY: Is there any determination when a worker comes to know if there is a pre-existing condition that is not work-related. Before I became elected, you know, I didn't have to have a heart bypass. Did that come about by listening to the government and the inadequacies of it and is that why I really had to . . .

A MEMBER: Your colleagues.

MR. E. CONNERY: Oh, my colleagues.

Is that the sort of thing that happens? Some conditions are pre-existing.

HON. H. HARAPIAK: Taking your particular case, was that a pre-existing condition? Or maybe if you would have stayed on your farm and you would have had a crop failure, maybe you would have had the same trauma that you experienced by an incompetent Opposition. So you would have had the same trauma because your colleagues would not give you the support that you felt you deserved.

MR. E. CONNERY: I think you've got it turned around about 180 degrees, Mr. Minister. I think it was the government side - no, this is what I am saying. This was a pre-existing condition.

Is there any attempt to determine whether there was really a pre-existing, because otherwise we've got a safety net and if Workers Compensation is going to be a safety net, that's fine. Maybe if that's required, we should do it, but not at the expense of the employers. Then it should become a social program, like our health system. So if we want to look at that sort of a program, then we've got to assess it for what it is.

HON. H. HARAPIAK: I take it for granted the employers all give a medical whenever we're hiring, and maybe that's something that doesn't happen to MLA's. Unfortunately, maybe that should be one of the criteria, that you have to have a strong physical, like our health system before you let your name stand for an elective position.

Whenever anybody hires a person . . .

MR. E. CONNERY: Then you guys would all be out.

HON. H. HARAPIAK: I think that there's a medical required for most occupations and I think that many of those conditions would show up. But then when there is an injury, our Workers Compensation commissioners, when they're making a determination, do take the advice of their medical people on determining the case.

MR. E. CONNERY: Is there an aging of your files in the rehab? What I'm getting at is how many are carried over at full wages from back to 1982, 1983,'84,'85 in the rehab? What kind of numbers are there at full salary, or at full benefits, not full salary.

HON. H. HARAPIAK: We have the figures on the total cost of rehabilitation for the year. The only way we could get that information is to work with the different codes and search it out as to how many more have been brought on, how many have been deleted, and then we could come up with the information as to which ones have been on since 1982 to '86.

MR. E. CONNERY: It's not the cost I was looking at. How many workers have been carried over? How many are still in the rehab program at full benefits, going back to '82,'83,'81, if you have it back that far, just to know how long people can stay on the program?

HON. H. HARAPIAK: I'm told that it would have to be a manual examination of all the files in order to determine how many have been carried on since 1982.

MR. E. CONNERY: Are we not computerized at the Workers Compensation Board? There should be a concern as to the aging of these people in the rehab. Is the system effective? If they're there since '82, why are they there that long? Is there no progress in their rehabilitation?

If they're not going to get any better, why keep them in the rehabilitation program unless there is some improvement? I would approve of that if, you know, they can't go back to work, but we can still improve their health. But I think you should know that.

HON. H. HARAPIAK: We started making those technological improvements in 1984, and so we are constantly making improvements with this data that is put into it.

Some of your suggestions have merit. Maybe we should be adding some of that information into the computer so we would be able to assess if some of them are on from 1982. If there is no rehabilitation being carried out, then maybe there is a need for some reassessment but they are reviewed on a constant basis, so anyone who has been on since 1982 has been reassessed but we don't have that information just so we can read it out of the computer.

MR. E. CONNERY: In business, you have your aging of bad debts and accounts and so you know always how old they are and know if you have a problem. I think the Workers Compensation Board likewise needs to know how long people have been on it. It's very important.

Mr. Chairman, one of the concerns that the industry has is the merit system. A survey was done and it came up that 94 percent of the industry, of the employers, were in favour of the merit system, and yet this government has steadfastly said no to the merit system. Can the Minister rationalize that position?

HON. H. HARAPIAK: There are various examples across the country on how the merit system would work. British Columbia has had it in for one year. Alberta has done a consultative study and, at this time, it isn't in place. They are still studying it further. I guess it's one of the areas that have to be looked at.

Once again, getting back to the review committee, the review committee recommended unanimously against it, including the industry rep, Mr. Tom Farrell, who is opposed to a merit rating because there are some difficulties with the way claims are handled when there are merit ratings.

MR. E. CONNERY: The Auditor's report said it's not apparent how the board and the government intend to prevent the employers in future years from not being unduly and unfairly burdened with payments that are to be made in those years with respect to accidents that have previously happened.

As you know, the act states that you aren't supposed to be in the deficit position you are. The Attorney-General has indicated that there is no need to change legislation. Is the Minister not concerned that in the future there could be lawsuits where the government would have to pick up the deficit out of the general funds because the government has been acting in an unlawful way?

HON. H. HARAPIAK: You're referring to section 66(1) of the act?

There is no danger of any claim not being paid because of the position that we find ourselves in at the Workers Compensation Board. All claims will be handled.

In 1984, Mr. Ziprick, the Provincial Auditor at that time, stated that the government should either comply with or change the act. So I guess it's again a difference of opinion between different people.

The Attorney-General indicated that an amendment to the current legislation is unnecessary, as a review of the act will address and resolve this issue.

Once again, that was touched on by the review committee's report, and I guess we'll be dealing with

it when we're dealing with all the other recommendations.

MR. E. CONNERY: One of the figures that came through in assessing the Class "G" operations shows from 1981 to 1986, the assessable payroll increasing 28 percent but the assessment revenue increasing in that same period of time 136 percent. Is this not just a little bit of a high figure?

HON. H. HARAPIAK: Could you repeat that? I think you've got the report of last year's assessment statistics?

MR. E. CONNERY: Yes. From 1981 to 1986, the assessable payroll went up 28 percent, but the assessment revenue, which was the premiums, went up 136 percent. That's five times the payroll increase.

HON. H. HARAPIAK: I'm not sure where you're gleaning those figures from. We have figures here that there was an increase in assessable payroll over the last five years, from '81 to '86, of 35 percent, and an increase in rate per 100 of 84 percent. You're reading some other information that I don't have here.

MR. E. CONNERY: It's a photostatic copy of Class "G" operations assessment statistics.

HON. H. HARAPIAK: It would be interesting to know how the member got that photostatic copy and what source he got it from. That was a copy that was prepared for the Minister, so I would be interested to know where he got that information from.

MR. E. CONNERY: Can the Minister then tell us why those figures are that way?

HON. H. HARAPIAK: It must be revised figures that you're using, from what we've got here. Maybe if you gave us a copy of that . . .

MR. E. CONNERY: The Minister says they're revised figures . . .

HON. H. HARAPIAK: Maybe you revised the figures. They're broken down . . .

MR. E. CONNERY: Does the Minister dispute those figures?

HON. H. HARAPIAK: According to the figures I've got here, there's been an increase in assessment from the last five years, '81 to '86, of 35.2 percent.

MR. E. CONNERY: Would the Minister table his figures?

HON. H. HARAPIAK: Certainly.

MR. E. CONNERY: Okay. Then that would help us out.

In vocational rehabilitation costs, from the years 1981 to 1986, the increase has been 2,512 percent. Does the Minister concur with those figures?

HON. H. HARAPIAK: I guess, with the implementation of all the reports we've done, the Cooper Report, the

Lampe Report, I guess the costs could have gone up that amount.

MR. E. CONNERY: Do you think any business can survive with those kinds of substantive increases? It's unbelievable that any sector cost could go up to that extent, especially in light of all of the complaints from workers. The Minister knows that I brought a complaint from a constituent of mine, who was somewhere in the area of two years since his accident, and was still waiting to go to review. Another constituent who phoned me, and I found out she was 111th and it would take three months before that figure. I marked the date down that I was given that figure to see when her claim finally does come to review. But, you know, it's kind of strange these things happening the way they are. If you did such a great job for the people at this horrendous increase on cost, why are all these problems there?

Mr. Chairman, you know, we're dealing with a government that has mismanaged the money. They haven't put it in the hands of the workers as they say they have, which they should have done. They've just refunneled a lot of that money. You take a look at the administration costs that have skyrocketed under this government's administration. Administration costs don't go to pay workers' benefits. We see a whole raft of problems here with this government.

In the Class "G" funds operation, the appropriation for future cost to reserve, why is there none in there for '83, '84 and '85?

HON. H. HARAPIAK: The member makes a number of allegations which are erroneous. I guess the reason we had to increase those rates as much as we did is because unfortunately there was a government in place in the years 1977 to 1981 who did not increase their assessment when the rest of the country saw the wisdom of increasing the assessed rates.

Saskatchewan had a rate at that time of \$2.40 per hundred. They increased and they opened up their books and showed industry exactly what they were in for. In order to help the system survive, they needed an increase of that sort.

We, in Manitoba, or the Government of the Day in Manitoba at that time was reducing their costs. It's no wonder that we were in the financial mess that we were in. There was no rehabilitation taken on. Otherwise, it wouldn't have been necessary to have reports of this sort that your government did not act on, and the recommendations here is where the workers were not receiving these services. Now they are receiving those services. We know that we are not meeting all of the needs out there but, if we were settling all the claims that you and your colleagues are bringing forward, then the money can only come from one place. There would be a need for an increased assessment again.

Our administrative costs are leaner than most Workers Compensation systems right across the Dominion. If you want to start comparing the cost of the Workers Compensation operations compared to the United States, well then, there is no comparison whatsoever. There is really no satisfaction from anybody's perspective in the system they've got where the free-enterprise system is delivering the service. The workers aren't satisfied, the industries aren't satisfied.

There are many industrial groups that are going broke because of claims that are long, claims that are costly. When the judgments are made, it goes against the employers, it breaks many of them, and the employees get very little settlements. Who is getting rich is the legal system. I really don't think that's the kind of system you're proposing that we move to in this province.

MR. E. CONNERY: Mr. Chairman, the Minister condemns our party when we were in power for not raising the premiums to the way they should be and, in fact, to be reducing. Then this Minister is also condemning the Ed Schreyer administration because he also reduced premiums. I think one year it was frozen and two years they were decreased. That's also in, I think, the King Report, showing those decreases. So when you say that our party was neglectful in looking after or raising the premiums sufficiently, then you're saying that the Schreyer Government was equally bad.

A MEMBER: No.

MR. E. CONNERY: Well, the facts are facts. The member says no, but how can you dispute it? That's there.

HON. H. HARAPIAK: The first year that we formed government, we also reduced the rates. It was unfortunate, but just the timing of the election was in November '81. There wasn't time to do a thorough assessment of what there was in store for us. So based on the information that had been given to us, we made a decision quickly in order to strike the assessment for that year, and that year there was a reduction. Unfortunately, we have to accept that responsibility that we reduced rates that year when we should have been increasing them by a large degree, or a larger percentage. Yes, we admit that there were times that we did make mistakes as well.

MR. E. CONNERY: Thank you. I'm glad that you are not infallible, Mr. Minister. It's a blessing.

You say that you have a committee reviewing the King Report. Can you tell me who is on that committee?

HON. H. HARAPIAK: There is a committee of Cabinet. There are several committees in Cabinet, and there is one committee that is set up to deal with the Workers Compensation system.

MR. E. CONNERY: Can I have the structure of that committee? Who is on that particular committee?

HON. H. HARAPIAK: The Ministers on that committee are Parasiuk, Cowan and Harapiak.

MR. E. CONNERY: What expertise have these people who are on that committee, these three people, to determine which of those recommendations should be implemented?

These people have been involved with the Workers Compensation up until now, this government. It has been a mess. You said the name of Cowan and Harapiak. Well, Cowan was the originator of this whole debacle when he got it started back in 1982. Now he's going

to be on the review committee to determine which recommendations they are going to implement? I mean, Mr. Chairman, we're . . .

HON. H. HARAPIAK: That is not the review committee; it is a Minister's committee that is responsible for Workers Compensation.

MR. E. CONNERY: Is the Minister at this point trying to determine if there actually is an additional \$100 million loss in Workers Compensation?

HON. H. HARAPIAK: No, there is no additional \$100 million unfunded liability at this time. The auditors just dealt with the annual report, and they were satisfied that the \$84 million figure of that unfunded liability was the actual figure that is in place at this time.

MR. E. CONNERY: So then, going by that, if you're not going to be looking at the additional cost, as suggested in the King Report, then you're not going to be increasing pensions to those people who are within the Workers Compensation system?

HON. H. HARAPIAK: Historically, the pensions have been increased every two years since 1974, except for one year. During the Tory administration, they went for a three-year period.

I would think that it would be appropriate that, if the pensions were increased every two years, then this is the year that the pensions would be due for an increase.

MR. E. CONNERY: Then you're saying that not by statute, but just by doing it, you are increasing the pension benefits on a regular basis. If you're increasing the benefits on a regular basis, there's going to be an increased cost, there's going to be an increased deficit or, in your terms, an unfunded liability.

So obviously, that figure of \$84 million is not an accurate figure because, if you increase it, basically you're indexing it just by policy rather than by act or statute. So to say that the \$84 million is sufficient is to - well, it just flies - it's unbelievable that you would accept that position.

HON. H. HARAPIAK: It's not me who's accepting that position; it is the auditors who are the people who are charged with that responsibility.

I would ask the member what he would suggest we do. Should we de-index the way the Federal Government has done. Should we be de-indexing rather than indexing the pensions? Do you not feel that these injured workers are entitled to an appropriate cost-of-living increase or would you rather have us de-index the way the Federal Government has done?

MR. E. CONNERY: I didn't say that. I didn't say I wanted to de-index it. I think that pensions should be indexed; I'm all in favour of it. You've got these widows who are unfortunate and dependent children, etc., who have to be looked after. But in doing so, there's going to be an additional cost that is not being reported. So, if you're going to take it on one side - and I agree with you - then we have to take an actuarial look at what that additional cost is going to be, and King says it's somewhere in the area of \$70 million to \$90 million.

HON. H. HARAPIAK: The Auditor has looked at the rehabilitation costs and they said that there was now a history that had been in place for four years and, based on that four-year history, they said that there would be some additional unfunded liability.

The process for handling the pension increases have been in place since 1974 and the Auditors have not chosen to follow the suggestions that are being put forward by the Member for Portage la Prairie, that there will be additional unfunded liability. The Auditors have not accepted your argument.

MR. E. CONNERY: The King Report says that it was very obvious some time ago that you should have been aware because you were increasing the pensions on a regular basis, even though not by law, and you should have been aware of the unfunded liability at that point. Now you've been warned. You saw what has happened. Now you're going to fly in the face of fact that you don't have to take another look at what this unfunded liability is going to be in the future? You got burnt. Do you get burnt twice or do you act in the proper way the government should act? There is going to be an additional liability there. You know it. It's proven. Now you're saying because it's not law you don't have to take a look at that part that could be unfunded.

HON. H. HARAPIAK: I should mention to the member that we are looking at that and that was one of the recommendations of the review committee. So, quite obviously, we are looking at it. The actuaries are aware of it; they are looking at it. We're doing some additional assessment on it and we will be acting on it, along with all the other recommendations of the review committee.

MR. CHAIRMAN: The hour now being ten o'clock, committee rise.

SUPPLY - FINANCE

MR. CHAIRMAN, C. Santos: Committee of Supply, please come to order.

We were considering Item No. 2., Treasury Division, 2.(a) Salaries; 2.(b) Other Expenditures; 2.(c) Payments re: Soldiers' Taxation Relief.

The Honourable Minister.

HON. E. KOSTYRA: I've got some of the information that the member requested and am anticipating, as soon as the rest of the staff arrives, we'll have the other information.

With regard to the question that I had taken as notice, in effect last year, I have the information both for 1986 and 1987 - it's just handwritten so if the member wants to write it down as I give it. The forecast assumptions that went into the 1986 Budget, in terms of real output, we were anticipating a 3.25 percent increase. I might just add that the consensus on the actual is 3.5 percent for last year, and the assumptions in this year's Budget were 2.7 percent, which is what I said earlier this afternoon.

On employment growth projections in the 1986 Budget year were 2.25 percent. The consensus on the actual was 2.7 percent; and the presumptions in this year's Budget is approximately 2 percent.

Unemployment, 1986, the assumptions in the Budget were 7.75 percent; the actual was about 7.7 percent; and the forecast for this year is 7.5 percent.

In 1986, Capital Investment presumption was 8.9 percent; the actual was 11.3 percent; and the assumptions in this year's Budget were 2.3 percent.

I'm sending over, with the Page, three pieces of information which the member has before him. One is entitled "Refunding Requirements, '87-88," and that's the detail the member had requested on that including the Sinking Fund information. So I guess the bottom line is the 278.3 which is net of Sinking Fund; the actual would be 343.

The listing of the borrowing for '86-87 is one of the other sheets and then the borrowing for this year, which I had previously indicated, would be in and CPP to this point in time.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNES: Thank you, Mr. Chairman.

I thank the Minister for that information. It's detailed and I'm glad to receive it in this fashion, particularly the assumptions. I haven't seen the government attempt to forecast before and I'm happy to see it, even though the '86 figures probably could have been provided a year ago.

Mr. Chairman, I asked a question specific to the refunding requirements, refinancing the issues in the '87-88 year, and the Minister shows me the reconciliation at the bottom of the page as to what portion has to be refunded, net of accumulated Sinking Funds. I would ask the Minister, because I haven't had a chance to review this in detail, can he tell me that the par value, and of course there are equivalent dates given, but what were these loans taken - what were they floated at roughly? I can't see specifically the value. He tells me, for instance, that series 10-G, Swiss francs, is that the stated value of the loan, 16,000, or is that indeed how much? -(Interjection)- I guess I'm looking for the equivalency. I don't know whether indeed the exchange fluctuation has been computed in here or not. Maybe the Minister can help me.

HON. E. KOSTYRA: That information, just to go through it, staff are getting the other information. The par value is what that was at the time of issue in Canadian dollars. The same with the Sinking Fund and the balance to be refunded. We're just getting information as to what that - well, first of all, we can't give the actual because it's not due till March 15 of '88, but the rest of that will be accounted for in the amortization that has been placed on the books of Public Accounts.

MR. C. MANNES: So then what the Minister is telling me when he talks about refinancing, he's talking about the par value of those loans. There's no charge been put against these loans as to the drop in the value of the Canadian currency vis-a-vis some of these different currencies, some of these foreign currencies.

I then would ask the Minister whether he could give me some rough estimation as to what is today's value of the 343,520 par value that we would have to pay back, given that the exchange rates which exist, as of

today, remain in effect. This is a complicated exercise. I'm not asking for detail right to the dollar. I just would like to know basically how much more we do owe today because of the decreasing value of the Canadian dollar vis-a-vis other currencies.

HON. E. KOSTYRA: This would be an approximate figure, not to the dollar. But the par value, the 6256 at this point in time, would be \$14.06 million. Using your example of the Swiss franc issue, 10-G, the Swiss franc issue which matures on March 15, 1988, the par value in Canadian dollars is \$6.256 million at time of issue. You have the rest of the information on that sheet there, but that equivalency today would be \$14.06 million, approximately.

MR. C. MANNES: Mr. Chairman, I won't request that those numbers be provided all the way through. The point I'm trying to make is, given these loans that I suppose at one time were thought to have favourable interest rates, can the government tell me then what the effective rate of interest is, let's say, on the Swiss franc loan, again using 10-G. Given that now we owe \$14.06 million; given also that many of the interest payments had to be paid back also in Swiss francs, not many, all the interest had to be paid in Swiss francs, do we have an estimate of really what the rate, the effective rate of interest, given that we've borrowed back in - I take it maybe it was 1973, maybe it was . . . f

HON. E. KOSTYRA: This one was 1976.

MR. C. MANNES: 1976; 12 years ago. Is there some method by which the Minister, again just for the sake of example, can tell us what the effective rate is on this loan, and indeed in time can he provide us with the effective rates for all these as they come due, now that we know what's happened over the last 10 years?

HON. E. KOSTYRA: We don't have that here but that information is kept in terms of what the difference in the interest rate would be if those funds could have been borrowed on the Canadian market at that particular point in time. But I'm afraid I do not have it here. If you want, we could have staff go downstairs and retrieve it now, or if the member is interested in some examples, we could provide that on some of these issues.

MR. C. MANNES: Mr. Chairman, I won't belabour this. I find this somewhat interesting. It gives, I think, a better understanding and that was my purpose for asking.

The other day in committee, Public Accounts, the Minister provided information re allocations to the provision for unrealized foreign currency losses. It was a sheet looking like this. The Deputy Minister provided it to me.

Under the public debt, in the '87-88 Estimates, there is a figure of 59.3. From that, do I take it then that out of the public debt that is shown - and again, Mr. Chairman, I will refer to the figure of, I believe it is \$440 million. I should have it right here, but I don't. Right, it's \$438 million in public debt, and \$60 million

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of that then is the amortization based on foreign currency debt.

Can the Minister tell me again the formula in place to provide for the \$60 million? I know this has been covered before, but I guess I ask, for instance, how much of that \$60 million would deal with these loans specifically? I take it a large portion of it, of the \$60 million estimate, would take into account the maturity of the loans in question. Or is it equally spaced out for all the loans?

I guess what I'm trying to get at, I don't know what the value is, the total value of the loans listed today or over this fiscal year, when we have to meet them. How much of that has been covered off in Estimates and will the remainder of it show up as a cost directly against the debt of the province, the direct debt of the province?

HON. E. KOSTYRA: That figure refers to the amount of additional amortization as a result of that three-year moving average that we talked about, and relates to all outstanding debt that is subject to currency fluctuation.

MR. C. MANNES: Mr. Chairman, I ask the Minister - and I see there's additional staff being brought into one of these branches - can the Minister tell me what has gone wrong? Why have we found ourselves in having such a large amortized debt associated with our foreign currency borrowings?

Has he attempted to find out the reason why we have so miserably found ourselves on the wrong side of some of these borrowings? Has he himself undertaken to do his own review as to what has gone wrong? Because, quite frankly, right today we have a \$1 billion liability associated with the foreign exchange fluctuation. And, quite obviously, whoever has provided information to us has provided us rather, I'd say, faulty information. And I know hindsight is perfect; it provides for 20-20 vision. But quite frankly, Mr. Chairman, there have been major fluctuations, and I notice that other provinces are not nearly as heavily borrowed in foreign markets as we are and therefore have not suffered the great foreign exchange losses that we have.

Has the Minister done some type of review within his department to see from where this advice has been coming in from over the years and what has he done to correct it?

HON. E. KOSTYRA: Yes, I think we have to recognize that Manitoba, as a province, has had significant capital requirements for a number of years, certainly during this time or this term in government of our party, and that existed also during the time that Conservatives were in government, not only during the period of 1977 to '81, but even prior to that.

As a result of having those large capital requirements, we've had to look at raising those funds, not only in Canada, because the Canadian market would not be in a position to fulfill all of our requirements in total, and certainly from time-to-time is not able to meet our requirements at a reasonable interest level. As an example, over the last while, though we did an issue in Canada two months ago, March¹ and in February, the market has not been that favourable to any

Canadian issues up until just a week ago when the Alberta Telephones did an issue in Canada.

As a result, other markets have had to have been established, including the United States and the three foreign markets.

The decision on an issue - I can only speak for the time that we've been in government, I can't refer to times when we're not in government. I would just point out to the members, some of the loans, in fact, if you look at the one that we were just, not the one we're debating, but others have taken place at times when members opposite were in government. But the decision on borrowing in a particular market is based on the conditions of all the markets. The first preference is for borrowing in Canada where at all possible, and we're certainly attempting to keep at least 50 percent of our borrowing requirements in Canada, second to the U.S., and then thirdly, beyond that.

The decisions at the specific point in time are made based on what needs are when there are specific needs for capital, recognizing that has to be balanced over a period of time, because it's obviously not feasible to go into the market for all the borrowing requirements at one point in time in the year, whether it's the early part of the year or the latter part of the year, when most of that money may be required because the markets may not be open or may not be competitive at that point in time. That is one consideration.

The second consideration is what the interest rates are vis-a-vis the Canadian market and, secondly, what are the projections in terms of appreciation of that currency as against the Canadian currency or the reverse for that matter?

Projections are made based on the difference in interest rate and looking at the amount of appreciation that would have to take place until that interest rate would not be attractive vis-a-vis the Canadian interest rate. Also recognized, even if there is that kind of advantage, if one looks - and obviously now, with some currencies at what many consider their all-time high and expect them to move in the other direction, it can be argued that this is the time to have significant borrowings outside of Canada. However, at times when decisions on borrowing are made, there may only be limited markets that are open at that particular point in time.

So that is the way we have been looking at it. In terms of doing a review for all of the borrowing that has taken place in the province from the first point in time that foreign borrowings have taken place, no, I have not done that kind of review. But we do review and look at the experience and try to learn from that. I don't know that anyone can predict some of the changes that have taken place. I guess some have and that was recognized at the time when decisions were made.

MR. C. MANNES: Well, Mr. Chairman, I find the Minister's response most unacceptable. I mean, we're talking about \$1.1 billion losses - he would object that I use the word "losses." Let's say amortized foreign exchange fluctuation, much of it, Mr. Chairman, having occurred over the last four or five years. I do know that the American dollar did digress or did divulge from ours a year or two previous to that, but the point I'm

trying to make, it seems to me that there's such incredible risk associated with these currencies that the Minister - and he says we need money, we'll go out and get it where we need it. We'll go out and get it wherever it exists, then we'll worry whether the fluctuations occur after that.

It seems to me that is particularly dangerous, that it puts at risk the flexibility that future governments, that future Ministers of Finance will have. I know that there's nobody who can lay claim to a perfect understanding of the various fluctuations of currency versus another currency, but it seems to me that when there's so much borrowing going on in outside markets that the Minister, rather than at times relying on the market, almost has to have some of that very strong expertise within his own department. I ask him who is his highest authority within his department with respect to providing information and maybe the ultimate decision of where to borrow, where to float a new issue?

HON. E. KOSTYRA: Firstly, let me correct a statement that the member made. I did not say that the decision was based only on the need to borrow money and that we go into any market based simply on the need to borrow money. What I did indicate was the various factors that go into it and, on each and every borrowing that does take place, there is the analysis of the interest costs. There is the analysis of what the best advisers, both within the department and outside financial private sector, provide us in terms of where they see the currencies going in the future. The decisions are based on all of those factors.

In the department there is staff in this particular branch that we're dealing with who are in constant contact not only with the needs within the government in terms of financing but are in constant contact with financial advisers outside of government, those within Canada and those outside of Canada.

On a regular basis, briefings are held with various forecasters on the fiscal side from the banks to other financial institutions asking their advice in terms of what they see taking place with respect to capital markets. Indeed, briefings are held for myself to get acquainted with what people outside of government are saying.

In terms of staff of the department, the recommendation on any particular issue comes from the Deputy Minister to me, and we consult on each of them, and go through the options and the need. It then proceeds by way of Cabinet decision.

MR. C. MANNES: Mr. Chairman, for next year's Budget, I'm wondering if the Minister would consider providing a table somewhat similar to Table B-11 in this year's Budget, but one that measures our debts in Canadian dollar equivalents on March 31, the year-end. The table that has been provided gives our debt but it's on the basis of the loans being taken at par value. I'm wondering if the Minister would give comment to providing that information in Canadian dollar equivalents.

Secondly, could he tell me why the \$259 million is shown as a 1988 fiscal year-end requirement for refinancing for repayment? It's not quite similar to the \$278 million figure that he provided me just at the beginning of this evening's sitting.

I don't need a long, detailed explanation. I'm just wondering why there isn't some type - well, maybe the Minister has given me the reason, because at the very top of B-11, I see "as at December 31st," so maybe there were some fluctuations in three months that has caused that number to increase. So I have that explanation.

I would just ask the Minister whether or not a table like this, and from his viewpoint, would serve any meaningful value if it represented in Canadian dollar equivalents as of March 31, using of course December 31 exchange rates.

HON. E. KOSTYRA: There was an additional point I wanted to make in regard to the previous question on borrowing.

As I indicated, just to use the current situation as illustrative of the way we attempt to deal with this, we had wanted to do our first issue in this new fiscal year in Canada. Unfortunately, the markets were not there. In fact, it was our Canadian lead underwriter, who obviously has a vested interest in us proceeding in the Canadian market, was the one, among others, who had suggested that we go into the Japanese market because of the unavailability of capital in the Canadian market. It was certainly unavailable at reasonable or what was considered reasonable interest rates.

In regard to changing this into somewhat different, I guess we can review how we provide information in the Budget in terms of providing more information, and I'll certainly take that under advisement.

I'll just point out that this one is only dealing with the refunding, which is only one part of what we would be raising capital for in each year. Again, this particular graph shows that net of Sinking Fund which again, if you simply just take these tables and add on, the fluctuations would not provide the true picture because those actual costs would have to be reflected in the public debt costs in that particular year for any unamortized exchanges.

I'm certainly prepared to look at how we could provide more detailed information on those areas as it relates to what has taken place with currency fluctuations, and I believe the next table provides some of that detail on the total debt outstanding. I'm prepared to look at that and see if there are better ways of providing that information so that we all can get a better understanding of what our potential liabilities or costs might be associated with our debt.

MR. C. MANNES: Mr. Chairman, I'll ask one question dealing with the Sinking Funds. I believe there's a statutory requirement that some certain contribution be made to them.

Is the Minister satisfied that those Sinking Funds are growing in an appropriate manner vis-a-vis the exponential growth in public indebtedness?

HON. E. KOSTYRA: We're satisfied that the provisions are adequate at this point in time.

MR. C. MANNES: Mr. Chairman, before we move on and pass No. 2., Treasury Division, I would ask the Minister if he would undertake to give me a little further detail associated with the public debt allocation or the

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allocation to the 1987-88 estimate of \$59.3 million public debt, an allocation of the provision for unrealized foreign currency losses.

I know he attempted to provide that information in Public Accounts. I haven't read the transcript of that meeting yet. But I'm wondering if he could provide a further breakout of where the \$59.3 million - not today, Mr. Chairman, but for another time - to show how the various loans, and each make their own contribution to the \$59.3 million figure.

HON. E. KOSTYRA: Yes, I can take that request as notice and will provide that subsequent to the Estimates on an issue-by-issue basis for this year.

MR. CHAIRMAN: 2.(a) Treasury Division, Salaries—pass; 2.(b) Other Expenditures—pass; 2.(c) Payments re: Soldiers' Taxation Relief—pass.

Resolution No. 69: Resolved that there be granted to Her Majesty a sum not exceeding \$1,151,400 for Finance, Treasury Division, for the fiscal year ending the 31st day of March, 1988—pass.

The Honourable Minister.

HON. E. KOSTYRA: Just on a point on the procedure, I don't know if the member or other members had any questions with regard to any of the statutory payments, public debt or hydro rate stabilization, because the staff who would be having the detailed information would be the staff who are present for this particular line and, since we're passing it and moving on, they will be leaving. So if there is any question with regard to the statutory payments of public debt and hydro rate stabilization, this would be the time to ask and it would facilitate our work, or Manitoba Properties Inc.

MR. C. MANNESS: Mr. Chairman, I decided not to pose questions with respect to MPI. It seems like we spent an inordinate amount of time last Estimates dealing with it and I guess I, by design, thought that we might pass it this time quickly.

The Minister's invitation, though, dealing with hydro rate stabilization, I know there is a bill before the Legislature which will, of course, change very drastically the manner in which this particular item is handled.

I'm wondering whether the Minister can give us any indication at all - not the 1987-88 fiscal year but the year beyond - given the passing of the bill dealing with hydro rate stabilization and the new manner in which it will be handled in the years to come, can he give me some rough indication as to the reduction therefore in the requirement under the statutory obligation. In the year preceding 1987-88, he shows that figure is an estimate of \$29.4 million. It's shown in this year's Estimates. Can he indicate what that might be the year following?

HON. E. KOSTYRA: First of all, I should explain that if we would have proceeded this year without any change, we would have seen a figure in the Budget of about \$60 million for hydro rate stabilization. As you are aware, the figure is considerably lower than that and it's a slight reduction from last year, but it would have been considerably higher if we would have maintained the U.S. pay debt.

We would see some increase next year on that figure because of a \$200 million Swiss issue coming due and then, following that, it will generally go down to the point in 1997 when it will be concluded, but there may be a few peaks and valleys through that period.

MR. CHAIRMAN: Let me call Item No. 3.(a)(1) Comptroller's Division, Comptroller's Office: Salaries; 3.(a)(2) Other Expenditures - the Honourable Member for Morris.

MR. C. MANNESS: Mr. Chairman, I understand and I read in the O/C listings that there's a new division head. I'm wondering if the Minister would introduce the new comptroller.

HON. E. KOSTYRA: I'm afraid I can't do that because I did that at Public Accounts and the comptroller is not here tonight. The reason he is not here, just so the member knows, it was his son's graduation tonight and he is not here. It is Eric Rosenhek, and I did take the opportunity at Public Accounts to introduce him at that point.

MR. C. MANNESS: -(Interjection)- Yes, my colleague reminds me. I hope the son, after the final level of education probably provided to him by the taxpayers of this province, stays here and doesn't leave like so many other of our young educated people.

Mr. Chairman, it's my view that there have been a number of internal labour problems within this particular division. Can the Minister of Finance indicate why so many of the staff over the year have left the employ of this division?

HON. E. KOSTYRA: I don't know. Maybe the member will want to amplify his comments on labour problems in this division. There have been a number of changes and I'll run through the ones that I'm aware of at the senior level. If the member has some particular comments or concerns beyond that, I would be interested in hearing them.

The former comptroller, Bill Fraser, was successful after being requested by the government to go on secondment to the Manitoba Telephone System at the time of change in senior personnel there. He was successful in being appointed to the permanent position of vice-president of finance for the Manitoba Telephone System, which is a promotion.

Bill Carrothers, who is the head of the Finance and Management Systems Branch, left to go to Ottawa.

The only other change at the senior level would have been the director of the Treasury Board, which was formally part of the Comptroller's Division, moved into the separate area of Treasury Board, which is outlined further in the detailed Estimates. That particular individual received a promotion into the Department of Employment Services and Economic Security as Assistant Deputy Minister, so two of the three senior staff changes were people who accepted promotions, which we're pleased about, because it's recognized from time to time that staff in Finance have opportunities in terms of understanding and knowing all areas of government because of the overview role that Treasury and Finance plays in government. It's also at times

viewed as a good area for staff training or staff development into other areas of government.

MR. C. MANNES: Mr. Chairman, the second-largest branch within this division is the Financial and Management Systems Branch, formerly directed by Mr. Carrothers. Specifically, in that branch, can the Minister tell me why there's been such a large number of people who have left that particular branch? I'm thinking specifically of people like Lloyd McBurney, Karl Sprolle, Don Rice, Arlene Laventure, Mike Bilenki, Bruce Penner, Hugh Barnstead, Paul McDonald and Tom Millington.

Mr. Chairman, that seems like a significant number of people and I'm wondering, first of all, if the Minister is aware that all these people have left, and if he ever took the effort to ask a few questions why such a large number may have left that branch?

HON. E. KOSTYRA: First of all, I wasn't aware of the detail, obviously, of the people who have moved. If the member wants, we can go through them one by one and indicate where they are. Don Rice is sitting right before you, so he's still alive and well in the Department of Finance.

Others of those have moved or were promoted within the Department of Finance as changes have taken place. A number of others left the government and have gone elsewhere, but I was not aware of that list of staff changes. That's something that I would not see in terms of the specific names other than those who would be promoted by way of Order-in-Council appointments.

I don't think many of them, other than the ones I talked about previously, would fall into that category.

MR. C. MANNES: Mr. Chairman, if one looks at the Public Accounts and looks at that particular branch, there are roughly 14 people on the basis of '84-'85 who were employed within that particular grouping and some one-third of them have moved elsewhere as the Minister indicates. Can the Minister indicate whether any of them were forced to resign, asked to resign?

HON. E. KOSTYRA: I understand that two of the staff changes in that area were related to performance of individuals in that branch. Those two individuals were relocated elsewhere within the Department of Finance, not terminated from government or forced to resign from government. Those are the only ones who would fall into that category.

MR. C. MANNES: I would ask the Minister to tell me who those two were and, furthermore, can he indicate whether it was the director of the branch at that time who requested those resignations?

HON. E. KOSTYRA: First, I'll maybe just outline the general process and then raise a question with the member before I get into specific names.

The changes, the two that I indicated were transferred as a result of performance evaluations that did take place at the time of the previous director who has left, the practice of those kinds of things is that it would be on the recommendation of the director to his or her immediate supervisor.

In this case, it would have been the comptroller at that time with the status of Assistant Deputy Minister

in the department, who would then confirm that decision along with, ultimately, the Deputy Minister.

In terms of the two individuals, I would just ask the member whether or not it would be fair to those individuals to place those names on the public record. I'm just a bit sensitive to those kind of personnel matters, or the member would accept those names privately, but either way I'm flexible except I'm a bit sensitive to getting into those kinds of detailed personnel matters with respect to two individuals who are still in the employ of the government.

MR. C. MANNES: Mr. Chairman, I will accept those names privately. I would ask the Minister further whether Mr. Carruthers left with the blessing of the department.- (Interjection)- I will accept those two names in private.

Mr. Chairman, furthermore I ask the Minister of Finance, under the conditions under which Mr. Carruthers left, was that an amiable, amicable parting as between senior staff and that branch head? Or was there some problem associated with his employment? Or did he to go elsewhere to greener pastures, so to speak?

HON. E. KOSTYRA: I'm told that was at his initiative as a result of an offer from Ottawa. That individual did come initially under an interchange agreement from the Federal Government about three years ago.

MR. C. MANNES: Was everything professional in the sense of the severance with Mr. Carruthers in his last two or three weeks at work, in the manner in which he conducted his affairs, and I'm talking now in support of his job with the Provincial Government in Manitoba? Was there anything untoward in his final leaving?

HON. E. KOSTYRA: I'm certainly not aware of anything, and asking staff, they're not, other than the fact he was off on sick leave for a period of time prior to his termination as a result of a back problem.

MR. CHAIRMAN: 3.(a)(1) to 3.(d)(d), inclusive, were each read and passed.

Resolution No. 70: Resolved that there be granted to Her Majesty a sum not exceeding \$3,661,200 for Finance, Comptroller's Division, for the fiscal year ending the 31st day of March, 1988—pass.

Item No. 4.(a) Taxation Division, Administration: 4.(a)(1) Salaries; 4.(a)(2) Other Expenditures - the Honourable Member for Morris.

MR. C. MANNES: Mr. Chairman, in the Supplementary Information provided by the Minister, looking specifically at this division, Taxation, one can't help but notice that there is a significant drop in staff years but a major increase in salaries. Can the Minister explain why?

HON. E. KOSTYRA: It took a moment because I was puzzled by his comment where there were significant staff reductions. The only area of any major change in staffing is shown on page 53, on Reference No. 3, Appropriation 07-4C and that was the border dye officers were reduced from 20 SY's to 8 SY's, and that was on the basis of experience as against what was

put in place. We've never utilized it to that extent because it wasn't needed. So while it's a reduction in SY's, it wasn't an actual reduction in staff because all of them were not hired. Other than that, there haven't been any major reductions in staffing of the branch.

In terms of the salary increases, they all relate to the general salary increase increments, and I believe there were also some reclassifications and minor reorganization that would have accounted for the other part of the increases.

MR. C. MANNES: Mr. Chairman, I refer to the Minister's own Supplementary Information, Schedule 5, pages 12 and 13 where it indicates that the staff years have dropped from 220.5 roughly to 206.5 and maybe that's explained away by some of the changes internally within the department, plus the removal of the dye station employees. But I thought it sort of stood out in some fashion and that was the reason I posed the question.

But of much more importance to me, Mr. Chairman, is the Minister's commitment as to where this government stands vis-a-vis the latest federal tax reform initiative. The Minister leads me to believe on occasion that the Government of Manitoba is presently preparing a comprehensive report. I know the Minister on several occasions has had an opportunity, through meetings of Ministers of Finance, has been very involved in parts of this discussion leading to the federal initiative.

I would like to ask him specifically when it is that he will lay before the people of Manitoba the Government of Manitoba's comprehensive viewpoint on federal tax reform; and secondly, could he also give me some further indication as to the critical time path that lies ahead, not only with respect to the Provincial Government, but also in the sense that he's aware federally what is happening there? I would like to get some idea of the time path over the next six months within this whole area of tax reform and dealing specifically with federal sales tax and the degree to which he'll be making input towards an ultimate decision, as rendered by the Federal Government.

HON. E. KOSTYRA: I think the member is aware of some of the time paths or time regions that are in place with respect to how the Federal Government is proceeding with parts of their reform package, particularly that related to personal income tax and corporate income tax which would result in legislation being adopted by the House of Commons some time later this coming year, some time in the winter months. It's certainly our intention to provide comments to the Federal Government on those two aspects of the tax reform package prior to that being concluded by the House of Commons.

We've also been asked by the House of Commons Standing Committee on Taxation to provide comments to that committee. We have also accepted that invitation and will be providing that sometime into the coming months once the committee indicates when they wish to see us specifically.

We've started a process with government to have some detailed analysis done by various departments of government to look at the various impacts of the reform package, departments like Business

Development and Tourism, the Department of Agriculture and other departments to see what that might mean for areas of economic and other activity in the province. So I would anticipate, with respect to those portions of the reform package, to have some response in the early fall months to provide to the Federal Government, to the House of Commons Standing Committee and indeed to the public of the Province of Manitoba.

With respect to the sales tax reform, the federal officials have not to this point in time provided us with any detailed information with respect to their option of the federal-provincial sales tax. Interestingly enough, the very first meeting of the Finance Ministers that I attended back in May of just over a year ago - and that was when the Federal Government was talking solely of sales tax reform and, to a limited extent, corporate income tax reform - there was no talk of personal income tax reform.

I was provided with details as it was an official detailed presentation on business transfer tax option. It's now turned into an option. At that time, it was the only position being proposed by the Federal Government with respect to sales tax.

I think the member is aware of what transpired subsequent to that. The Federal Government decided they were going to expand the reform package to include personal tax, which we welcomed, and then further options were being reviewed with respect to sales tax. Without breaking confidence in terms of the detailed discussion we've had at the Finance Ministers officials' level, we've not had a great deal of detailed discussion on the issue of sales tax at this point in time.

Now early next month, in July, there is going to be the start of staff discussions on the options for federal-provincial cooperation on sales tax and there is an indication from the last meeting held with Mr. Wilson that there will be a meeting in September for Finance Ministers to review the progress or discussions at officials' level on sales tax and also to revisit the other parts of the reform package.

The position we're adopting, which I've indicated previously to the member, is that I think generally we're in support of efforts that can take place in this country to harmonize tax efforts. If there is a way that we can come up with a better system, a more simplified system of levying something like the sales tax between the Federal and Provincial Governments, I think that is good. That's a goal that we ought to work for because it would mean greater efficiencies, less costs, less paperwork for small business, indeed for all business, and hopefully less competition between provinces if you get some agreement. Obviously, you won't be able to do that on rates, but hopefully you can get some agreement on the base, in terms of what is covered by the base and, if we're able to achieve that, I think that would be a good move for all governments in Canada.

While that's a laudable goal, it's certainly not one that is necessarily easily attainable because of the situation that now exists with respect to the federal sales tax system, which is a system of taxing just certain areas and excluding a whole number of areas. It's not easy when you review what happens between provinces with respect to the sales taxes that provinces levy

because it's not only differential in rates but differences in things that are covered between various provinces.

I guess one of the major concerns that we have, it may not be true of other governments - and I know that here the member opposite and I would disagree. I haven't heard his comments in the Legislature, but I did see him on the media one night making a comment on sales tax, where he indicated he thought that was preferable to increases in income tax, that a greater reliance on sales tax revenue was better than greater reliance on income taxes, and I do not agree with that.

I think obviously that we have a system of sales tax, and we're not going to be able to go to a point of not having any sales taxes either here in Manitoba or in the country. It's not in the near future. But I worry a bit, in terms of the mix that we have of taxes, that we rely more on consumptive taxes rather than taxes based on income or on wealth, because I don't believe that a greater reliance on consumptive taxes is necessarily fairer or equitable to taxpayers as a whole, nor do I believe that it is progressive.

So we had those concerns, but that is not contrary to what the Winnipeg Free Press reported the day after the Wilson statement. We are prepared to get into those discussions openly to see if indeed there can be some common ground found between all the provinces on sales tax reform. It is not going to be an easy task, but we're certainly open to getting into earnest discussions with our colleagues, both at the federal and other provincial levels, to see if that can be accomplished, recognizing particular concerns that we, as a government, may have.

MR. C. MANNES: Further to that point, Mr. Chairman, I'm wondering if the Minister can be a little more candid. Can he tell us which of the three options that the Federal Government is considering at this time? And I'll list them quickly: the general goods and services tax; secondly, a value-added tax; or, thirdly, a national sales tax.

Those being the three options, has the Government of Manitoba made a choice at this point in time which of those three it may favour, given that a sales tax, in a national sense, is going to come forward?

Furthermore, my sources tell me, Mr. Chairman, that the Provinces of Alberta and Manitoba are the two that are balking at this point in time with respect to this whole area. I would again ask the Minister of Finance, given that this is true, is it the fact that the Province of Manitoba is having some difficulty deciding which of the three options is more palatable to it? Secondly, is it refusing to endorse, in principle, the system of consumption taxes and therefore will not want to choose any one of the three, or does it have a specific hangup with one of the three or indeed maybe all of them?

Mr. Chairman, the Minister of Finance says that he does not support consumptive taxes, that he prefers to tax income, and that's, I suppose, a debate that can rage at another time. But it strikes me as odd that the people I know who have means - and some would say wealth - I'm always struck by one obvious trait on their part, and that is they like to show that they like to spend it. They like to be able to use the word, in some cases, "lord" over other people. Of course, the only way you can do that is to purchase and to consume

and, in my view, that's the time to tax people who have means and who have wealth.

So, Mr. Chairman, we will not reach any conclusion in that philosophical debate tonight, but my specific question deals with which of the proposals the Provincial Government might favour at this time, and why is it that they are one of two provinces that I'm aware of which is balking at this point in time?

HON. E. KOSTYRA: Well, I thought I had explained some of that, so I'm a bit puzzled by the comment that the member made at the end, because the position that I have enunciated to him tonight is the same that I have enunciated in formal statements that I have presented at Ministers of Finance meetings. In fact, indeed I think I've made them public documents on just a couple of occasions. That is that the term "balking" - I don't know if that's the correct term - and saying that we're the same as Alberta, I don't think is correct. I think Alberta has indicated that they're opposed to the position of a sales tax in their province. Obviously, we can't take the same position because there is a sales tax in effect in Manitoba.

I also indicated that we're in favour of looking at ways of harmonizing it with the federal system. So I would say that, in terms of where we're going, we're prepared to get into the discussions on how that might take place, what goods and services are covered, which are excluded, the method of imposing it.

I guess if we were to place an option on the table, it would be to look at going back on the other two pillars of the reform package and redoing the corporate and income tax, hopefully through a discussion debated at a national level that may take place. If that doesn't, then we're still prepared to look at how we reform the sales taxes and, because there's no question in terms of the federal manufacturing sales tax, there have to be changes.

But again, if it is going to mean greater reliance on sales tax - and we had some hint of that out of the mini-budget or the tax reform package that came down a few weeks ago insofar as that \$1 billion of the revenue changes that took place - \$1 billion dollars of that is coming from sales tax increases on the present manufacturing sales tax in a number of areas, the principal of which is the new tax we put on telephones.

So I'm not sure if, to define our position, "balking" is correct. We're prepared to get into discussions to have a better idea of what the Federal Government is proposing to see if there can be some agreement or understanding amongst the provinces on how we would get into a harmonized federal-provincial sales tax. But we do have concerns. We have concerns if that is to be the major area of revenue. But recognizing that the Federal Government is on the path to reforming sales tax, we are certainly open to looking at whether or not our concerns can be accommodated within the plans that the Federal Minister has for it.

Until we get into detail, I can't say that we prefer that option or any other option. In fact, I guess the position would be, if we're not into the federal-provincial harmonized effort, then I would think the Federal Minister may take the position that the provinces really don't have any real say in the others because it would be a federal tax and, of course, they're free to put in place those kinds of federal taxes as they so wish.

The case has been to date that he has certainly been open to consultations with the provinces, even though we haven't reached a consensus or majority decisions on many of the issues, but he certainly welcomed our input, and that would probably be the case even if he decided to pursue the federal-only options rather than the federal-provincial option.

MR. CHAIRMAN: 4.(a)(1) Administration: Salaries—pass; 4.(a)(2) Other Expenditures—pass.

4.(b) Retail Sales Tax Branch - the Member for Morris.

MR. C. MANNESS: Mr. Chairman, I ask the Minister of Finance: What would happen to a merchant who decided that, because the taxation bill giving effect to all the taxation measures and they are not passed, if that merchant decided not to charge the increased sales tax to a purchaser of a good at that particular business, what force of law would come down upon that proprietor?

HON. E. KOSTYRA: The form that we're dealing with is a hypothetical situation because we're not aware of any sales tax agents that are doing this as the member is outlining in his question. The practice would be that, if a person didn't collect the appropriate sales tax, they would be assessed that tax and required to pay it.

MR. C. MANNESS: Mr. Chairman, the members opposite have had some fun, have had a little sport with me for posing some of these questions dealing with the effect of the taxation increases, and I won't table this although, if I'm asked to, I will. It's a legal opinion I have received from legislative counsel when I asked the question, one specifically of him: Are the taxation measures introduced by a Budget law as of the date of passage of the Budget motion within the Legislative Assembly? Mr. Pepper goes through a number of scenarios and reviews the laws in a number of jurisdictions, but ultimately on page 4 of his response to me, says this: "As a result, I would answer your question as follows, no."

Mr. Chairman, I know of some people who asked agents, asked proprietors whether or not the law was in effect and whether or not they had to pay the particular sales tax increase. They were told, yes, they did because indeed if the proprietor did not collect the tax, the government would be at their heels, so to speak. Again, why would the proprietors who did not request of customers that they pay the sales tax before the effective passage of the taxation bill, why would they have to pay the penalty as the Minister has indicated they would?

HON. E. KOSTYRA: Yes, the member indicates that he has advice from legislative counsel with respect to the legality of the Budget measures. The member would be surprised if I told him that I also had that matter reviewed. It is confirmed the practice that has existed for some time by governments with respect to budgetary matters, indeed both provincially and federally, where legislation has been passed retroactively to past transactions, indicating that is a lawful practice both in a statutory and a constitutional sense.

In fact, the practice of government is to indicate to taxpayers and to those who are licensed to collect taxes

on behalf of government, to indicate in advance, which is the practice of a Budget document, because the Budget indicates what the intentions of government are whereby certain taxes will be increased or levied at a particular point in time in the future. In some cases, that future is very close, as an example, wherein the Federal Government has brought changes down that night of the Budget, and I think that on occasion has happened in the provincial sense.

However, in our case this year, we gave considerable notice of the changes in sales tax to help people adjust to the change by giving as close to six weeks' or over six weeks' advance notice of the intent of the government to pass or to put in place increased revenue measures.

The practice is that the collectors would be responsible for collecting that tax and ensuring that they do that in accordance with the wishes of the Legislature which has given an indication, by virtue of the passing of the Budget, to confirm those increases. So any of the measures that apply normally to those transactions would apply with respect to any of the increases that take place with respect to sales taxes or areas that were previously indicated by the Budget and giving considerable notice to the taxpayers and to the tax collectors.

I would just remind the member that the notice that we gave Manitoba was considerably longer in terms of time frame than that which was provided by the Saskatchewan Conservative Government to the taxpayers and tax collectors of that province when they increased their sales tax by 2 percent, effective midnight, the date of the Budget.

MR. C. MANNESS: Well, Mr. Chairman, I don't quarrel with the constitutionality of retroactivity dealing with taxation measures. I'm not even going to enter into that, because I accept not only the practice but indeed the power of a government to levy that type of tax. My concern basically, when I'm talking about sales taxable items, is those items where you cannot readily identify the purchaser. It's a cash transaction over the counter.

I guess my main point through all of this, Mr. Chairman - and the Minister of Finance may wonder whether I have a point or not - but my main point throughout all this is to encourage the Minister of Finance another year to table more quickly The Taxation Statute Bill dealing with taxation so that we may give it proper passage in this House, as close as possible to the Budget date.

It may seem like a very small point to the Minister of Finance, but I think there's something wrong when government, in some cases, give effect to taxation measures long before - attempt to give it effect by way of the Budget - long before the ultimate passage.

The Minister's right, there are number of the new measures now that there was a fair amount of time as between its effective date and the date it was introduced in the Budget, and I have no quarrel with that. He finally points out Saskatchewan, yes, they were given no notice, but they were maybe also given a two-month reprieve vis-a-vis relative to consumers in Manitoba.

Mr. Chairman, I've asked specific questions as to the sales tax revenues, how they are flowing at this point

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in time. The Minister addressed them before, and I am therefore prepared to pass this section.

MR. CHAIRMAN: 4.(b)(1) Retail Sales Tax Branch: Salaries—pass; 4.(b)(2) Other Expenditures—pass.
The Honourable Minister.

HON. E. KOSTYRA: Mr. Chairman, just one comment, frankly, I agree with the member in terms of earlier introduction to taxation bills. One of the problems we have and, this year, because of the complexity of the changes, the actual drafting of that did not take place until subsequent to the Budget being brought down, because there were a number of areas. I'm saying things that the member probably doesn't realize that some of the decisions with respect to the actual rates and the implementation of decisions that are made within days, very few weeks of the actual Budget date. So the actual drafting and detail of some of that cannot take place until the Budget is brought down.

But in a general sense, I agree with the member and will certainly attempt in future years, if there are going to be changes in taxation any time that I'm Finance Minister, to attempt to have those bills introduced earlier in the course of the Legislative Session.

MR. CHAIRMAN: 4.(c)(1) Mining and Use Taxes Branch: Salaries; 4.(c)(2) Other Expenditures.

MR. C. MANNESS: Mr. Chairman, I notice again quite an increase in Salaries here, and I'll accept the Minister's words that these are general increases in taxation, but I wanted at this point to ask the Minister whether or not the revenues that are expected to flow into this area because of the application of this particular tax, whether or not, given the three months' experience that we now have and given the fact that we're having some, I would say, unfortunate situations develop in northern mining, can he give me some indication as to whether or not the forecasted revenue of some \$7 million, whether or not that will be realized this year?

HON. E. KOSTYRA: The member would note, in one specific test, the mining test was reduced significantly from the previous year. So we did take into account what is happening in that area. At this point, we don't have any reason to change that projection of \$7 million, but I would just caution him that it is still only the first few months of the new year so it's pretty hard at this point to see if there is any significant trend off that. But it was recognized, in making that estimate, that was one area that we were expecting to see some decrease in revenue.

In terms of the other taxes under this area, which includes fuel taxes, our projections are that we expect them to be met and don't see any need to change any of our assumptions or projections there.

MR. CHAIRMAN: 4.(c)(1) Mining and Use Taxes Branch: Salaries—pass; 4.(c)(2) Other Expenditures—pass.

4.(d)(1) Corporation Capital Tax/Health and Post-Secondary Education Levy Branch: Salaries; 4.(d)(2) Other Expenditures.

MR. C. MANNESS: Mr. Chairman, one question, again dealing with the payroll tax. It seems to me from my

vantage point, Mr. Chairman, that there are many businesses that are either downscaling - indeed a number of head offices have left the province with many, many rumours existing that many more are to leave, some of them very significant in their size and I, at this time, won't lay on the record the rumours of some of the possible closures that I hear.

Mr. Chairman, there has been a very sizable increase in the revenues expected under the payroll, tax and I can't help but notice that it's jumped from \$123.5 million to \$184.8 million. That's millions of dollars print over print. I, of course, am fully cognizant of the fact that the rate of tax is increasing by 50 percent to 2.25 percent of payroll. But, Mr. Chairman, I think this is a very important area, not only because of the fact that this tax has, in many respects, caused an awful lot of grief, but can the Minister assure me at this point in time that this forecast is holding? Because my view is that there are many businesses in this province that no longer exist that may have existed at the time this forecast was being developed.

HON. E. KOSTYRA: No, I can't give that assurance. As an example, last year - and we'll have the final close-out figures for the year - but if the member recalled, the Third Quarterly Report looked at the revenues for this particular tax, we were higher than what we had gone to print on. I think the year-end will show somewhat higher than what we had anticipated when we went to print last year. So the estimate last year in terms of the Budget was low as against the actual.

The increases are - a number of factors: one, is the fact that we underestimated last year as to what the revenue was; secondly, there is normal growth in terms of salary costs; and thirdly, the increase. The information that staff is aware of at this point in time on the first few months of this year is that we're pretty well on target, other than the disruption that is taking place now with respect to the erratic mails. Things are not flowing as quickly in the mails as they normally did. But the indications were that it's pretty well on target at this point in time. Whether or not that will remain for the rest of the year is something we'll be following on a regular basis.

MR. CHAIRMAN: 4.(d)(1) Corporation Capital Tax/Health and Post-Secondary Education Levy Branch: Salaries—pass; 4.(d)(2) Other Expenditures—pass.

Resolution No. 71: Resolved that there be granted Her Majesty a sum not exceeding \$7,989,300 for Finance, Taxation Division, for the fiscal year ending the 31st day of March, 1988—pass.

Item No. 5.(a)(1) Federal-Provincial Relations and Research Division, Economic and Federal-Provincial Research Branch: Salaries; 5.(a)(2) Other Expenditures - the Honourable Member for Morris.

MR. C. MANNESS: Mr. Chairman, last year we had lively discussions within this area as to what was happening in federal-provincial relations. If you can remember, Mr. Chairman, a year ago, there was a great hullabaloo dealing with established program funding; also, shortly thereafter, equalization. The Provincial Government, led by the Minister of Finance, was very

much then on the attack, that attack being directed to the Federal Government and its so-called reduction in - I think the word "cutbacks" was used very often.

What has struck me extremely strange, over the last year, we don't seem to hear the same drive directed towards the Federal Government in this whole area of cutbacks. Oh, we do from the Minister of Agriculture. He can't give a speech it seems without attacking the Federal Government, but within the area of financial affairs, we don't seem to have the same vitriol directed towards the Federal Government.

I would ask the Minister whether or not this sudden change is as a result of the fact that Mr. Sale is no longer in this department? Or is it the fact that the Minister of Finance is now seeing the light, that all the argument that we've provided in debate over last year's discussion has now caused him to realize that, quite frankly, he was wrong and that we were right? First of all, his terminology was very much in error; and, secondly, that Manitoba, under cash receipts within these areas, was not receiving less, maybe not as much as once the Federal Government had hoped and maybe had expected.

The question is, Mr. Chairman, where is the government now taking their equalization argument? Because I do know that they had - and I thank the Minister for the opportunity he gave the members of the House to visit his office and have made to them a presentation with respect to some of the technical aspects of equalization, and I thank him for that effort. But where are we along that process today? I'm talking now specifically equalization.

HON. E. KOSTYRA: Well, first let me say the member is wrong in his assumptions about the abrupt - what he describes as the abrupt change in the position of the Provincial Government vis-a-vis federal transfer payments.

Let me first say - and I'm just searching for some of my clippings here to just remind him of what some of his Conservative colleagues in other provinces have said about Federal Government transfer payments. I still see in my mind the words of the Provincial Minister in the Province of New Brunswick who said in stronger terms than I've ever said when dealing with the issue of federal transfers, put the blame on his budgetary problems and his revenue problems and his increased deficit on the Federal Finance Minister, saying the reductions - and it was his terms, I think other provinces used the term "cutbacks" - that they are the reason that bills change and the reason that those particular provinces are having severe financial difficulties.

You know, the figures speak for themselves in terms of our situation. If you look at what the reduction is this year and you equate that to some of the revenue increases, obviously we would have not had to raise as much revenue given other assumptions stay the same level of deficit, level of expenditures if we didn't face that year-over-year reduction. So those are the facts, Mr. Chairman, for the member opposite.

In terms of change in provincial position on that, our position has not changed. The promotion of Mr. Sale to another government department had nothing to do with that. I guess because it is not seen as much in terms of - the debate is accepting the reality that the

Federal Government has implemented those changes and we certainly, along with other provinces, fought long and hard to stop those changes but, once they're made, there's not much we can do, other than take other opportunities for discussion when those matters may be renewed or reviewed in the future to look at changes or to look at how those things may impact on other areas.

In fact, one of the discussions we're into regarding tax reform actually from some other provinces was what about federal transfers vis-a-vis the impact of tax reform on provinces' revenues. That was not something that I raised specifically but was raised by others. So it really is accepting the reality that the Federal Government has gone ahead with its decisions to change that.

We did make one last appeal with respect to the situation of the special payments being discontinued or not renewed or not continued. Again, that has been rejected by the Federal Finance Minister, even though I appealed on a number of occasions for consideration on that item, the same as the Federal Government has given consideration with respect to somewhat unrelated areas, but areas where the Federal Government showed some good discretion in terms of dealing with potential costs to other provinces, but that has been rejected.

So I guess I'm saying we're accepting the reality that those are the changes that have been put in place with respect to both of those areas. They are in place in accordance with the formulas that have been in the past. We continue to raise them when we meet and urge, as we did at the time of the detailed discussions on equalization, the suggestion that maybe there should be a yearly review so that we can reopen it, rather than stick to the formula that's been put into place for the multiyear.

So there could be an opportunity to review that, dependent on changed circumstances both in terms of the provinces and in terms of the Federal Government's fiscal abilities. So that is where things stand at the present time. Our position hasn't changed other than to recognize that the Federal Government has taken that unilateral action and put those changed formulas into place.

MR. C. MANNES: Mr. Chairman, I know the Minister is fully well aware that the recent equalization cash transfers diminished in the fashion that they have was that we were given a two-year "sparing" of that because of the supplementary payments to a total of \$115 million, it seems to me, over two years.

I would ask the Minister if he can tell me though whether there's been any estimate made for the fiscal year beyond what we are discussing - and I'm meaning '88-89 - as to what equalization payments may be forthcoming. Is there any way that has been estimated and, if so, can he share that estimate with us?

HON. E. KOSTYRA: The answer is no. The Federal Government stopped - and this is rather interesting, actually - giving us multiyear projections. I don't know the specific reason for that but, if one looked at their projection a few years ago -(Interjection)- Well, if they did it based solely on Manitoba, I would be shocked and amazed, but they did it for all provinces in Canada. They stopped giving multiyear projections.

I don't want to impute motives, except to say that some of the projections that were made for the years that we're in right now or in years previously were much higher than what the actuals were.

I would just remind the member of one point. He states that we expected that these supplementary payments will come to an end, that they were payments made over and above what was allowed. That is true and that was certainly recognized. But the fact that under the formula we were still growing under the formula and facing an actual reduction in dollars, I think says something in terms of our relative position to the rest of Canada, as evidenced by the formula which we have argued is not reflective and not totally adequate. But even under the formula, our yield is higher; yet our "actual dollars" are lower.

MR. C. MANNES: Mr. Chairman, a final question, what research is being done right today with respect to all the matters of transfers and all financial relations as between Federal and Provincial Governments? What specific research is being done?

HON. E. KOSTYRA: There is a wide variety of areas. Most of them focus over the last short while. Other than the time of the Budget, it was on matters related to tax reform. The branch is also looking at ways of trying to deal with the fact that we're not getting the multiyear estimates on things like equalization and other federal cost-share programs to try to set up some means of providing that projection ourselves, because previously the system was geared to accepting the Federal Government's projections on that. So now we have to look at that for our own fiscal planning.

We also monitor cost-shared agreements and other major expenditure areas, like health and post-secondary education, as it relates to other jurisdictions to see what trends are developing.

MR. CHAIRMAN: 5.(a)(1) Economic and Federal-Provincial Research Branch: Salaries—pass; 5.(a)(2) Other Expenditures—pass; 5.(b)(1) Manitoba Tax Assistance Office: Salaries—pass; 5.(b)(2) Other Expenditures—pass.

Resolution No. 72: Resolved that there be granted to Her Majesty a sum not exceeding 1,423,700 for Finance, Federal-Provincial Relations and Research Division, for the fiscal year ending the 31st day of March, 1988—pass.

Item No. 6.(a) Administrative Policy/Insurance and Risk Management: Salaries; 6.(b) Other Expenditures; 6.(c) Insurance Premium; 6.(d) Less: Recoverable from Other Appropriations - the Member for Morris.

HON. E. KOSTYRA: Mr. Chairman, I'm sorry, just on a procedural point, one of the other areas of statutory payments is the tax credits. So if the member has any questions there, I'd like to deal with them now because we have the staff who might be able to provide any information.

MR. C. MANNES: Mr. Chairman, I expect to be there fairly shortly.

HON. E. KOSTYRA: Do you want to deal with it? Except that it's not a specific line; there is no resolution. So

we can deal with any questions now before we move to the next area, because that's a statutory payment area so it's not debated as such.

MR. C. MANNES: Well, Mr. Chairman, with the Minister's invitation then, I will ask a couple of questions dealing with tax credit payments, specifically the area of the credit dealing with the new education tax. I know it's an appropriation that comes under the Department of Education, but is anybody in the Department of Finance involved in the administration of this program?

HON. E. KOSTYRA: There are staff in the department who have been involved with that program in terms of assisting in the development of it, and also the Department of Municipal Affairs in addition to the Department of Agriculture, but it is being administered through the Department of Agriculture.

MR. C. MANNES: Mr. Chairman, there's an increase of roughly \$13 million. In which of the tax credit areas would most of that apply, or is there some portion allocated to all the tax credit payment areas? It's probably in the details.

HON. E. KOSTYRA: I don't have the detailed breakdown and, if the member is interested, we can get that. I believe most of it relates to the enhancement which took place with respect to the Pensioners' School Tax Assistance for the group 55 to 64 which corresponded to changes that were made in respect to the Income Support Program for 55-Plus. That would be the greater part of the increase, so there would probably be some just from growth of aging population of those over 65 and just general growth in that, but that would be the portion of the significant increase.

MR. CHAIRMAN: Okay, we are back to 6. Administrative Policy/Insurance and Risk Management, 6.(a) to (d) - the Member for Morris.

MR. C. MANNES: Mr. Chairman, I know that the government at this time is involved in negotiations with the MGEA working towards a new contract. I know that this isn't the area of government that's responsible for that, but is there any element in this department that is involved in those negotiations at this point? What I'm trying to determine, Mr. Chairman, is whether there is any branch of the Department of Finance that is actively involved in support of the Civil Service Commission and their trying to work toward a new agreement with the Manitoba Government Employees' Association as to a new contract?

HON. E. KOSTYRA: No.

MR. C. MANNES: Mr. Chairman, what the Minister is telling me then, when the Civil Service and the MGEA come to some contract through the collective bargaining process, indeed the Department of Finance is made aware of it after the fact?

HON. E. KOSTYRA: I see where there is some confusion. Where it talks about, "provides research role to the Civil Service Commission in development

and negotiation of policies affecting employees," that relates to things such as vehicle allowances, other expenses, meals, Northern Allowance, those kind of areas. It does not deal with major areas of wages or the major benefit plans that are negotiated. Some of these areas are covered by General Manuals of Administration, others are covered by supplementary agreements that are negotiated, such as the vehicle rate allowance, a supplementary or additional negotiation that takes place. That's the context that this branch provides assistance and advice to the Civil Service Commission.

MR. C. MANNES: I thank the Minister for that clarification.

As members of the House are no doubt aware, there seems to be a change in the insurance coverage that applies to all of us. There seems to be a \$10,000 deductible against those of us who make slanderous remarks outside of the House, if we are ruled by some process of law that we have violated somebody's rights in that respect. The latest commentary that I did note on it indicated though that some circumstances of that \$10,000 deductible might be waived. Can the Minister clarify that to me? Was it waived in all situations? Is there a \$10,000 deductible that really, as legislators, indeed as senior civil servants I would think, as they probably may or may not fall under the same insurance option, is that in effect it is discretionary as to the manner in which it is covering some people and does not cover others? Can the Minister clarify this whole area to me?

HON. E. KOSTYRA: I did circulate to all members of the Legislature two memos dealing with this area. One was I guess in excess of a month or two ago, outlining the general policy when it became the subject of some public interest.

Since that time, I've circulated a further memo that clarified the one issue that was left somewhat unanswered in my previous correspondence dealing with the question of the fact that members of the Legislative Assembly are subject to a potential charge back of \$10,000.00. A policy that the Cabinet has adopted with respect to that is that \$10,000, if claimed or if called upon, will be paid for by the government on behalf of any member of the Legislative Assembly.

There is a separate section and I think it was outlined in the memo that I sent. Unfortunately I don't have a copy here, wherein that if there was - using terms, when we're searching for the correct term when dealing with things like insurance claims - but I think it said, where there were excessive claims by one member on that charge back, Cabinet reserved the right to withhold or not allow that payment.

In other words, if one member of the Assembly was habitually getting into a situation where there was a drain on the taxpayers, Cabinet reserved the right to not cover that \$10,000 on a regular recurring basis. So it is not discretionary. However, if there are repeated claims by one individual member, Cabinet reserves a right to review the policy with respect to that potential excessive claims. It was a protection, I guess, for the taxpayers that was put in place if there were a lot of claims against one individual member.

So to the extent that there's discretion, it would exist if there was a person who was in that situation who caused a large number of claims, and that has not been defined and I suggest that is quite hypothetical because we certainly haven't seen any indication of that kind of thing taking place. I think there are a couple or three pending actions with respect to members of the Legislature.

MR. C. MANNES: Pass.

MR. CHAIRMAN: 6.(a) Administrative Policy/Insurance and Risk Management—pass, Salaries; 6.(b) Other Expenditures—pass; 6.(c) Insurance Premiums—pass; 6.(d) Recoverable from Other Appropriations—pass.

Resolution No. 73: Resolved that there be granted to Her Majesty a sum not exceeding \$1,315,200 for Finance, Administrative Policy/Insurance and Risk Management, for the fiscal year ending the 31st day of March, 1988—pass.

Item No. 7(a)(1) Treasury Board Secretariat, Office of the Secretary: Salaries; 7.(a)(2) Other Expenditures - the Honourable Member for Morris.

MR. C. MANNES: Mr. Chairman, what level of expenditure has to come to Treasury Board for authorization out of all the various expenditures in all the different departments of government? Is there a threshold over which any expenditure has to come before Treasury Board for ratification?

HON. E. KOSTYRA: There's a very detailed procedure in terms of what items come to Treasury Board and it varies by item. Certain items have a very low threshold, areas like contracts. Others have somewhat higher thresholds. Any expenditures that were not approved as part of the initial Estimates or Budget, there are very tight requirements before any additional expenditures can be incurred, even of very small amounts, either in dollars or in percentage.

I could give some overview, but there is a very detailed process in place and procedures as to what levels for various contracts and various expenditures, in terms of when they have to go Treasury Board for a specific decision, as against those that have been given authority as part of the regular Budget process.

MR. C. MANNES: Can the Minister indicate, given the fact that he suggests that there are detailed guidelines in effect, is there a manual of them? Can he share that manual with us? Secondly, has it changed to any degree in the last three or four years?

Mr. Chairman, I'm well aware that the Treasury Board Secretariat has been given at least a new profile - I'm not saying that its workload has changed at all - but it's been given a new profile as a result of a number of things. Certainly Michael Decter indicated it should have that in his report.

Obviously, the Pawley administration has been very severely attacked for a perceived lack of spending control, and I guess I want to know whether these procedures, these very strict detailed procedures of which the Minister speaks, whether they've changed at all over the last three or four years. Is it something that the Pawley Government has inherited from times

past or is it a new manual in place with respect to the guidelines that he's made reference to?

HON. E. KOSTYRA: Yes, these are outlined in a great deal of detail in the General Manual of Administration. There is a copy that is provided to the Leader of the Opposition, and the updates are provided on a regular basis, as they are to all holders of the General Manual of Administration.

There are changes that take place on a regular basis. Some are minor; some more major though, in terms of the Treasury Board process, there hasn't been any major change in the procedures that are in the General Manual of Administration. We are, with the renewed mandate of Treasury Board and the change in Cabinet committee structure, doing a review over the next number of months of our procedures to see whether or not there ought to be any changes in the procedures. But while there may have been changes over the period of time, the process is not significantly different in terms of what's in the General Manual of Administration. That has been the case for a number of years.

MR. C. MANNESS: Well, Mr. Chairman, I would encourage the government to review them and obviously they're either taking a different meaning out of some of the manual guidelines or something because I don't see where indeed, over the last four or five years, there's been a practising of expenditure control, which brings me down to one of the items that's shown here, and I'll refer to (d) with your permission. It's called "Long-term Expenditure Management and Program Evaluation." It's sort of a new department within the branch or however the terminology goes. I would ask the Minister specifically the duties of this group of employees who administer this function.

HON. E. KOSTYRA: This is something that flows out of the ongoing concern of the government to ensure that we are having constant review of our expenditure management system, and indeed our expenditures and a review and evaluation on an ongoing basis of programs.

The member may recall a reference in the report, the consultant's report, on expenditure management which suggested that this area be one of central focus. The branch's responsibility will be to do in-depth reviews and to provide information and options for decision with respect to expenditures and to ensure that there is adequate program review taking place; to ensure that programs are meeting the provisions or the reasons that they were put in place; and to provide suggestions if there ought to be changes in programs, or indeed programs that ought to be reduced because they're not of the same priority or of the same need as they were previously.

MR. C. MANNESS: Mr. Chairman, this particular division has been functioning now for some three months. Can the Minister of Finance indicate which policies or programs of government have been altered because of the function of this particular group, looking at Long-Term Expenditure Management and Program Evaluations? Which programs of government have been deemed to be redundant?

Obviously, Mr. Chairman, there are thousands of programs and some of them have served their need long ago. What areas have been identified as no longer being of value?

HON. E. KOSTYRA: The simple answer is none. This unit is just being established and is just starting to function and, in fact, some of the jobs have been posted recently. So it will be some time yet before we see the options.

The focus is to look at the longer-term aspect of this because one of the difficulties that always takes place when one reviews programs is that it's always done in a one-year time frame, and there may be programs that are virtually impossible to look at reducing or changing within a one-year time frame, which is the normal Estimate process. But on a multiyear basis, one could look at things that can be altered, phased down, phased out, changed over a period in excess of one year. So the focus is to look at some of the longer-term expenditure areas where changes might be able to be accomplished over a multiyear basis.

MR. CHAIRMAN: 7.(a)(1) to 7.(d)(2), inclusive, were each read and passed.

Resolution No. 74: Resolved that there be granted to Her Majesty a sum not exceeding \$1,514,800 for Finance, Treasury Board Secretariat, for the fiscal year ending the 31st day of March, 1988—pass.

Item No. 8. Tax Credit Payments—pass.

Resolution 75: Resolved that there be granted to Her Majesty a sum not exceeding \$217,100,000 for Finance, Tax Credit Payments, for the fiscal year ending the 31st day of March, 1988—pass.

Back to the Minister's Salary since Item No. 9 is Statutory. Do you have some questions on the statutory items for information and clarification?

Item number 9. Public Debt (Statutory), 9(a) to (b)(7).

A MEMBER: That's not a motion.

MR. CHAIRMAN: That's not a motion, but there might be some questions. No questions.

Back to the Minister's Salary, item number 1.(a).

MR. C. MANNESS: Thank you, Mr. Chairman.

I'm not going to move a motion that the Minister's Salary be reduced down to \$1, but I'm certainly not, on the other hand, going to move a motion that the Minister's wage be increased.

I can tell you, Mr. Chairman, that when one looks at this No. 9 and you were going to allow me to ask some questions thereunder, and I thank you very much, but I had an opportunity to ask most of the questions that I wanted to under No. 2., Treasury Division.

But, Mr. Chairman, when one looks at statutory debt of \$438 million as estimated, and underestimated because as you are well aware - and we've made the case and I think the Minister has agreed that there's close to \$60 million missing, because it's shown in another department of government - one realizes that the finances of this province are totally out of control.

Now, Mr. Chairman, I know those of us who have been Finance critics in Opposition have made that statement for many years. It's like it's a tired old routine,

like a recording, and we just sort of play it back. At least that's what members opposite would have those who they talk to believe.

Mr. Chairman, at times I must confess I almost feel that way myself. But 1987 calendar year, Mr. Chairman, is different. The government brought forward a Budget followed by much controversial legislation, much of it yet undebated, whether it's in the area of the environment, whether it's a takeover of Inner-City Gas - I just wanted to wake up the Minister of the Environment, Mr. Chairman. I wanted to see if he was listening or not, and he is.

Mr. Chairman, much of it is undebated, the takeover of Inner-City Gas, the nationalization of part of that company, also Bill 47, the Human Rights Bill, and I can go on and on. The government would have people believe that, because of their supposed popularity by virtue of the polls right now, they've escaped this Session. They would want to believe, at least in their own souls and in their own hearts, that they've had a fairly good Session, given the very major budgetary move that they brought forward by way of the new tax measures.

Mr. Chairman, they have not escaped the Budget of 1987. On a daily basis, more Manitobans are becoming fully cognizant, not only of the Budget per se, but also of financial matters, and it's about time. I think even members opposite would say it's about time, and it has a lot to do with more than just the Budget of '87, as horrendous as it was in itself. It's got something to do with the fact that Michael Wilson has been talking federal tax reform for the best part of the year; it has something to do with the fact that hospital beds are being closed in this province and probably in other provinces; it has something to do with the fact that hospital beds are being closed in this province and probably in other provinces. It has something to do with the fact that the Minister of Finance is now receiving these types of headlines in the editorial page, something like hiding the deficit, something like -(Interjection)- No, as a matter of fact, it's January 3, 1987.

The point I'm trying to make, it's my perception that the public is gradually again becoming interested in the finances not only of the province but of the nation. That spells trouble for the NDP Government in Manitoba. Mr. Chairman, that spells trouble for you, with due respect.

Well, Mr. Chairman, the Member for Inkster says spells trouble for us. It doesn't spell trouble for us. Manitobans intuitively know who can manage the best. They intuitively know, Mr. Chairman, the value of a dollar. They intuitively know who can provide good management and who can perform the best in government. Mr. Chairman, the day of reckoning is coming very quickly.

I was hoping that this individual, the MLA for Seven Oaks, when he became the Minister of Finance, would bring a new approach to the Ministry of Finance. I, to this day, give him his dues and his credits for being sincere. I don't know of a more sincere Minister on the other side of the House. But, Mr. Chairman, I thought when this Minister went forward, like he has the last two years, and consulted with a major portion of the business community, and not only the business community, the community per se, people from all walks of life, people who are either receiving government

funding or indeed people who are representative of those businesses who are providing large tax levels and for the most part are making major contributions to the services rendered by government, I thought that this Minister would take more seriously a consultative approach.

Mr. Chairman, I have been horribly disappointed by the Minister, on one hand, going to people in our community demanding in a sense that they provide him with some solutions to the dilemma that the government is in and, for the most part, totally ignoring one-half of the group of people who I think have tried to bring forward very meaningful dialogue associated with government expenditures and also government taxation. The Minister has failed miserably in that sense.

Mr. Chairman, I don't know where the Minister and indeed this government is going to turn once they begin to develop the Budget of 1988. As the Estimates process over the last few hours has shown, the Minister has no idea where the province is headed in a fiscal sense. He can't tell any Manitoban. He cannot stand in his place and tell any of us that the interest portion of expenditures will not consume 20 percent of the global figure within five years.

Mr. Chairman, imagine that! Imagine what's happened in the last six years. The NDP inherited a government, a fiscal standing left by the former Lyon government that was basically sound.- (Interjection)- Oh, well, basically sound. In a relative sense it was -(Interjection)- Well, Mr. Chairman, that's right, and it moved up to a level that's been doubled and almost tripled by these people every year since. So if he wants to put that into perspective totally, fine; if he won't, I will.

But the point is, Mr. Chairman, when the NDP took government, 4.1 percent of total expenditures were directed towards servicing the debt, most of that debt, by the way, built during the Schreyer term.

What has happened since because of prolific spending, because of all the promises that the government felt that they had to maintain and continue to make, Mr. Chairman? We now are now at a state in this province where the interest payment in support of the debt is no longer \$80 or \$90 million; today it's \$500 million. It's grown some four or five hundredfold, percentfold, and yet members opposite and the Minister of Finance can't stand in his place and tell me and tell Manitobans where it's headed.

I am well aware of what Manitobans want, generally. They want more and they want to pay less, and that's a quandary that I'm sure all governments find themselves in, Mr. Chairman. But we can't allow, certainly as an Opposition, the government to continue to go along this path because quite frankly it's leading to fiscal suicide.

Mr. Chairman, why is it that the government pulls out of the economy - and I use those words advisedly - close to \$400 million and directs \$500 million, and in addition, by way of new taxation, pulls out \$400 million, but directs \$500 million to interest payments? -(Interjection)-

Mr. Chairman, the Member for Inkster says it's no longer ripped out of the economy. Not all of it is, but obviously some significant portion of it is. Mr. Chairman, the Member for Inkster may not have been here this evening when we were talking about the amount of foreign debt we have, the amount of unamortized

foreign currency losses. Mr. Chairman, a fair measure is being ripped out of here and directed elsewhere, certainly not all of it but a pretty full measure.

Mr. Chairman, I don't sense - and my main point - I don't sense that anybody has shepherded this province along when one considers where we're going to be in the next number of years fiscally. There is no leadership. I was hoping that the Minister of Finance would provide that leadership. I'm fully aware that there's a Cabinet there full of people who want to spend money and spend large amounts. I don't know if there is a small "c" conservative within the NDP group or not. How's that for a term, Mr. Chairman? And I said small "c" conservative, Mr. Chairman. I don't think there's one small "c" conservative-minded individual in that group of spenders.

I was hoping that the Minister of Finance would be that person. Mr. Chairman, he's been a colossal failure in that respect. There's just no other word for it.- (Interjection)- Well, Mr. Chairman, I hope there's a reduction of \$180 million in the deficit. Right now I don't think there will be, Mr. Chairman. I would love to see that the Minister - I will give the Minister great credit if he brings in this deficit anywhere close to \$450 million.- (Interjection)-

Well, Mr. Chairman, the Minister of Environment says I'm talking nonsense. Well, Mr. Chairman, I know what it is that I engage in, regardless of the size of the zeros following the numbers. I know what it is that I'm involved in; I wonder at times whether the Minister of the Environment does.

But this area is crucial to the future of this province and, quite frankly, I can't see where it's receiving the direction that it should. I can't see where that direction is emanating from the Department of Finance. I honestly do not believe that there are officials within that department who are prepared to present the facts of life to the Minister because that's what we need today.

The members opposite scoff at us, Mr. Chairman. They think that everything that we say is pure rhetoric and is of little value. They scoff also at the Chamber of Commerce, and that may be their political judgment to do so. But the point is, Mr. Chairman, somebody has to be the fiscal conscience of this province and, quite frankly, I don't sense where the Minister of Finance is doing that.

Mr. Chairman, we're not talking about, at least I don't continue to harp about it because I think there's great politics in doing it, quite frankly, I've been through it within my own party. For the record, at a convention where my former colleague, the former critic for Finance, one Mr. Ransom, surveyed delegates in our own general annual meeting as to what the most pressing issue of the day was - and these were delegates to our party, small "c" and many large "C's", hopefully all large "C's" - the No. 1 issue, their No. 1 concern wasn't jobs, it was the management of the economy, particularly the deficit.

And on the other side of the sheet, they were asked, through 25 areas, to give their viewpoints as to whether governments should increase or decrease or maintain spending at a constant level within these 25 areas and, Mr. Chairman, it may come as no surprise, but 22 of those were wanting of more spending.

So, Mr. Chairman, I think I understand human nature in that respect and it's the same everywhere you go,

in every political party, but the reality of it is, when somebody has to stand up and say, we can't continue this bizarre path, along this insane path any longer. Today, I'm asking the Minister of Finance to be that light, to be that guardian amongst those prolific spenders opposite, who would throw \$10 away gladly, Mr. Chairman. Again, the Minister of Finance has failed in that respect.

So, Mr. Chairman, by design, I haven't spent an awful lot of time in these Estimates. I think many of the areas that I wanted to and requested more detailed information, that has been provided to me by the Minister and his staff. I think that the Minister does have a fairly firm grasp of his department. I sense that but yet, Mr. Chairman, still the big issue and the most important issue to Manitobans and the one that we'll continue to raise, doing our job effectively in Opposition as we have done and will continue to do, is to try and again convince the Minister of Finance that he has to stand firmly in the path of those around him who would want to drive this province off the cliff.

Mr. Chairman, with that I close my remarks and hopefully, once we are looking at the Department of Finance Estimates again, there will be a member from this side that's in that chair, maybe by some - you never know, Mr. Chairman, a three-seat majority isn't an awful lot. There could be defections over on that side. The government may screw up their courage and call an election. They think they're riding pretty high in the polls today and you never know what can happen in the short span of 10 months. I do say, Mr. Chairman, we know that we could do a better job on that side of the House.

Thank you.

HON. E. KOSTYRA: I had not intended to engage in any lengthy discussion on my salary, but I was provoked beyond any kind of reasonable bounds by the closing comments of the member opposite when he made another Conservative prediction that will be wrong again, and that was his prediction, Mr. Chairman, that before these Estimates are next before this Legislature, there will be a Conservative Minister of Finance. Just like other projections of doom and gloom that Conservatives made, that prediction of doom and gloom will not come to pass in this Legislature at least not for the next Estimates. Again, I think we'll be pleased to prove that doom and gloom prediction of the Conservatives to be wrong.

I regret that the member is disappointed in the Minister of Finance. I would rather that he would be pleased with the Minister of Finance. One of the things that I understood very clearly when I agreed with the Premier's suggestion to take on the role of Finance Minister was that it would not be one where one gets a lot of platitudes or where one wins popularity contests.

I was particularly struck listening to some of the debate or comments in the media at the time of the federal White Paper. There was an interview with Mr. Edgar Benson, one of the former Federal Finance Ministers, where he was talking about his time in the portfolio of the Minister of Finance in the Federal Government, and I don't recall all the details of what he said, but he said, I was Minister of Finance when inflation was, I think, less than 4 percent and I had a

surplus budget, unemployment was low, and I was still hated as a Finance Minister. If one were debating those kinds of conditions or be able to bring down a budget with those kinds of conditions today, I dare to say that even the member opposite would change his opinion of present Finance Ministers who were able to accomplish that.

I would say one thing, and I would like to spend the time and go through some of the areas that the member mentioned, but I would raise one issue because I think the member opposite takes his role seriously as Opposition critic and as a member of an Opposition party. I'm not certain that's true of all members opposite. I think one of the things they owe to Manitobans and, if they're not going to do it, then I and my colleagues certainly intend to do it, and that is to talk about what they would do if they were in government. Putting together the kind of fiscal policies that they have talked about in uncollected ways here, because one could look at individual comments of members opposite of how they would deal with specific spending issues, and put it together to show Manitobans what would take place if a Conservative Government was elected, and indeed if the member opposite was a Minister of Finance in a Conservative Government, and also remind Manitobans or show Manitobans what does take place where there is a Conservative Finance Minister.

While the members always get annoyed and somewhat agitated when we talk about other provinces, we can't escape the reality of what's happening in our country. Manitoba is not an island to itself and we debate and go through a variety of statistics. When you look at the overall, no matter how you want to shake it out - and those who have some degree of independence from the political process that I obviously do not possess, nor does the member opposite possess. We'll say that Manitoba is still within the mid-range of Canada in a lot of areas, and in some areas we're doing relatively better than most others, not all.

So I don't think, when the member makes his doom and gloom prediction about this province headed for financial ruin, that isn't a reality of the situation when viewed within the Canadian context. We are doing well, and doing relatively well, whether one looks at public debt cost, whether one looks at things like - and I just pulled out a brochure from the Investment Dealers Association that shows the direct debt of the province as compared to a percentage of GDP, and we're doing better than every other province in Canada outside of Ontario, Saskatchewan, at the point in time when this was produced, Alberta and British Columbia. But all other provinces - Quebec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland - all have a much higher portion of GDP in direct debt. Yet the members say that we're on the borders of financial ruin with respect to our debt situation here in the province.

But having said that, that's not to suggest that the fiscal problems that we're facing are not of considerable concern. The kind of increases that we're seeing in the majority areas of government spending of health, education and social service, which seem to continue, and the pressures on maintaining those services, let alone looking at any kind of enhancement, are very difficult. The ways of resolving them are not the simple solutions of hacking and slashing. They require

recognition from the public, recognition from those who are charged with the responsibility of delivering and engaging in those services out in our communities, and of course on ourselves, as legislators, to come to grips with those problems if we want to make sure that we maintain what is basically a good system in our country, one that I think has shown, over time, to be in many ways a unique Canadian approach to dealing with problems, but it's not without its jeopardy or attack because of a variety of factors.

So we have to be vigilant in terms of looking at our fiscal situation, but we cannot be driven simply or solely by what are purely financial or fiscal considerations. We have to look at what impacts our decisions have on individuals, how we develop not only our fiscal policies, our economic policies, but also our social policies, because all of them are very much interwoven.

I think if one goes off with a total focus on one of those three areas of public policy and doesn't provide the necessary balance to the others, while one may be able to claim some major improvements in an area like fiscal policy, you may do such severe damage to the economic or social programs or policies or fabric of our society that in the end you will do damage even to that fiscal policy because you don't have a good balance in terms of how we deal with those areas. Then in the end, none of those areas can exist without some interrelation with the other areas.

So those are my few closing comments.

I want to indicate to the member that the specific areas that he asked for information, they will be provided. There's one additional area of information that I provided for the first time last year that will be provided again this year and it should be ready within a day or two, and that's the Annual Report of Manitoba Properties Inc.

I also should inform the member, which I think I did before, that the request that he made earlier - I believe it was debate on Interim Supply - for an overview package of information with respect to revenues will be ready sometime early in July. If we're in Session, it will be tabled in the House; if not, I'll have it circulated to all members so that we can have that additional information made available.

MR. C. MANNES: Mr. Chairman, with your indulgence, I'd like to have the last word and let me say, firstly in rebuttal, that where we stand relative to other provinces - and the Minister listed a whole host, particularly of the Maritime Provinces. In a fiscal standing sense, I never want to see Manitoba at the point where we become so totally dependent on Ottawa for our revenues because that's, quite frankly, where the present state is in a number of the provinces that the Minister of Finance listed off.

And if the Minister takes some umbrage in that standing, in being located with that group of sister provinces, I don't, and that's not a put-down, Mr. Chairman. What I'm trying to say is this province has a proud heritage. We've stood on our own for a large number of years, but I sense that we're eroding very quickly.

Now I'm not going to anymore enter into the debate as to where our debt situation is. The only point I'm trying to make, Mr. Chairman, is that there's whitewater

ahead, there are troubled seas ahead. And yes, there are other provinces that can see it too, but they're a little bit further away from it than we are.

Mr. Chairman, the Minister talks about how well our economy is doing. I still honestly believe that's been a manifestation of two things, basically a diverse economy which, up to the last few years, reinvested in local plants and which took great pride in being centred in this province - I'll come back to that in a second - the second factor being of course the major infusion of public dollars, massive in a per capita sense, as compared to other provinces. Yes, Mr. Chairman, those two factors up to this point in time have maintained our standing for the most part. But everywhere I look and to every businessperson I talk to, quite frankly, Mr. Chairman, I don't see where the commitment is being made again in a generational sense to Manitoba.

Yes, the structure of the economy is changing, there's no doubt about it. The heavy industry, which we never had a large share of anyway, is changing; the emphasis on steel is changing; industrial makeup in all senses is changing. But, Mr. Chairman, we were, we are an area of small producers, specialized products that can gain entry into markets. And I sense - and I can't prove it quantitatively at this point in time - but so it cannot be proven to be quantitatively that I'm wrong, Mr. Chairman, but I sense that there is not the infusion towards new plant and refurbishing of plant that must be necessary if we're to maintain our own. I don't sense that's happening in any respect.

Mr. Chairman, something is happening now of which - and I see the former head of the MGEA, the now Minister of Urban Affairs, listening to the speech. But I know right now there are major negotiations being entered into and maybe they've been happening for some period of time as between the next contract between government employees and the Government of Manitoba.

Mr. Chairman, to me, that represents a landmark period in the standing of this province in many respects. If that agreement is made very much in the favour of government employees, quite frankly I don't see - and I'm talking about the wage earner - quite frankly I wonder how it is any set of miracles can bring us out of the malaise that we may ultimately go in because, quite frankly, as the two senior Ministers are well aware, that will set the tone for negotiations in all public sector for the next three years.

Mr. Chairman, I'm not privy to those discussions, but I know how important they are to the future of this

province. I do know that we haven't got over yet the negotiations back in - was it '83, I forget - early on in the term when there was a 27 percent increase over 30 months. Members can say, well, look what's happening in other provinces and so on and so forth but, quite frankly, this province fiscally never got over it. Now that contract and its extensions have come to an end and we're to the point of major discussions.

I don't have a clue what's going on in these discussions but, Mr. Chairman, let me close by saying, to me, they represent the single most important element of fiscal stability that may or may not exist in the next decade. I'm hoping that the Minister of Finance, indeed all members of the Treasury Bench who were involved in the discussion, indeed the Cabinet who have passed judgment on the proposals as brought forward, will take some of the commentary that has been presented by members of this side into account because, quite frankly, if that agreement is made with too many favourable points in support of our employees, who do a good job for this province for the most part, Mr. Chairman, I don't know how we can ever bring it into balance again.

So with those few remarks, I thank the Minister, I thank his staff. Mr. Chairman, I've enjoyed the Estimates' process. I've particularly enjoyed the length of them, and we'll do it again next year. Maybe the roles will be reversed.

MR. CHAIRMAN: I wish to commend all members on the high level of debate. Whether we are acting as Cabinet Minister or as critic, the world is a stage where every man must play his part.

Minister's Salary—pass.

Resolution No. 68: Resolved that there be granted to Her Majesty a sum not exceeding \$864,000 for Finance, Administration and Finance, for the fiscal year ending the 31st day of March, 1988—pass.

Committee rise.

Call in the Speaker.

IN SESSION

MR. ACTING DEPUTY SPEAKER, D. Scott: The hour being after 10:00 p.m., the House is now adjourned and stands adjourned until tomorrow afternoon at 1:30 p.m. (Tuesday)