

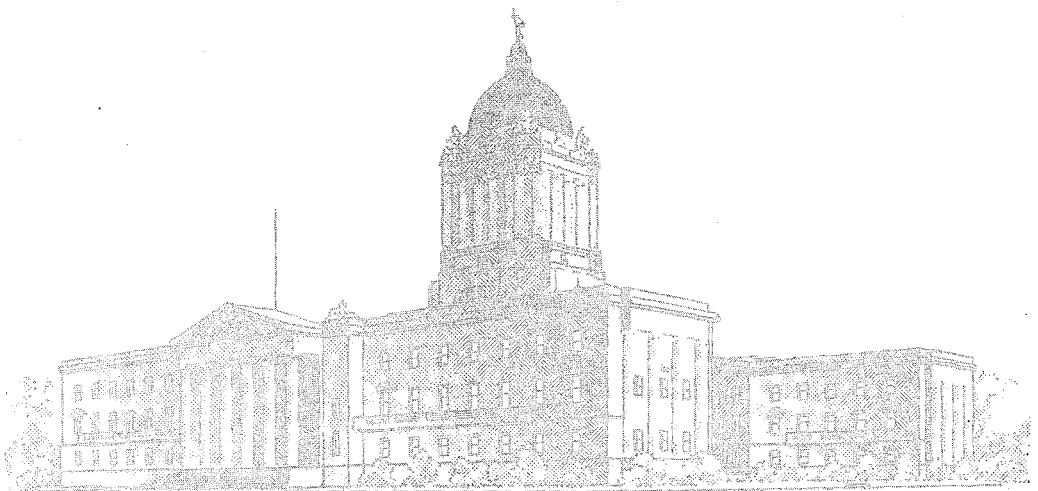


Legislative Assembly Of Manitoba

DEBATES and PROCEEDINGS

Speaker

The Honourable A. W. Harrison



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THE LEGISLATIVE ASSEMBLY OF MANITOBA

8:00 o'clock, Monday, March 5th, 1962.

MR. CHAIRMAN: Resolution 8.

MR. MOLGAT: Mr. Chairman, before the dinner adjournment we were discussing the matter of savings bonds which the government has issued, and I wonder if the First Minister has any further information.

MR. ROBLIN: Mr. Chairman, I took the suggestion of my honourable friend to consult with members of the department. They tell me the information is available but it is not readily available--there's no chance of getting it as quickly as my honourable friend wishes. But I have a suggestion to offer which perhaps might meet his position; and that is that it would be, I think, quite useful if he were to ask for an Order for a Return on this. Then he could specify exactly what it is he wants, we'd do our best to get the information for him, and he would have it, I trust, reasonably soon.

MR. MOLGAT: Well, Mr. Chairman, I quite appreciate the fact that after I got out of the Chamber I realized it was 5:30 and I don't think you like to ask the staff to work overtime, so I have no objection to not having the information this evening. However, I think this is an important item as I pointed out this afternoon. We are dealing with large sums and I think the people of Manitoba are entitled to know exactly how their business is being handled. And on this subject, as I indicated, the net interest cost runs something in the order of \$5,000 a day which is a large sum of money. I think it's important that we have the information. I would suggest that if the Minister is not in a position to give us the information this evening that we could proceed to discuss any further items under the particular resolution and then we can leave it open and we can get the information, say, tomorrow or the next time we're on Treasury or back onto the estimates once again. The information that we would want is specifically when the \$40 million came in what happened to it, where was it invested and what portion of it in particular was invested in treasury bills and at what rate, what was the net cost. In other words, the relationship between what we were paying out in interest on the \$40 million and what we were getting back on the short-term investment that we made, so that the House can determine whether or not this was in effect as good a deal as my honourable friend likes to tell us.--(interjection)-- Well I think it's a reasonable request, Mr. Chairman, that this should be given under this item. After all, we're discussing Treasury. The information I'm asking for is not that complicated. My honourable friend surely must know what they do with the money they get, and it's as simple as that.

MR. ROBLIN: you want to know. If you write it down I'll--

MR. MOLGAT: I'm just telling you what I want to know. I want to know what you did with the \$40 million that you got and I want to know if the deal's as good as you pretend it is. You've been going up and down the province and again in this House and every time you talk about it you say what a wonderful deal it is. Well I'm not saying it's not a good deal. I just want to know that it's a good deal. I want the people of Manitoba to know where they stand on this thing. That's all I'm asking. Very straight-forward--all you have to do is give the information.

MR. ROBLIN: Order for Return and you'll get it.

MR. MOLGAT: In other words you are refusing the information on this item.

MR. ROBLIN: I think we could get what my honourable friend wants in a completely accurate form if he writes down what information he wants to get; we'll see that he gets it.

MR. MOLGAT: Well--but Mr. Chairman the purpose of estimates is to be able to ask questions. If we've got to do everything by Order of Return then we may as well forget all about having estimates and we'll sit here--we'll prepare Orders for Return between sessions--we'll rise here--we'll put them all on the Order Paper and then wait until we get an answer. Now that surely isn't the way we should conduct our business. We're dealing here with the Treasury Department. We're dealing in particular with the item of Administration. Now surely the questions I asked are perfectly legitimate questions under this item. If my honourable friend can't supply them this instant--which I'm prepared to admit he may not be able to do--then surely my request isn't unreasonable that he should supply them at a later date under estimates still.

MR. ROBLIN: If my honourable friend will give me a written statement of what he wants

(Mr. Roblin, cont'd.) to know, I'll find out for him, but I want it in writing to be absolutely sure what it is that he wants.

MR. M. N. HRYHORCZUK, Q. C. (Ethelbert Plains): Mr. Chairman, I don't know why the Honourable the First Minister is so reluctant to answering a perfectly legitimate question. Before we adjourned for the dinner hour, the first Minister told us we could get the information we wanted at the Public Accounts Committee. He knew at that time that when we go into Public Accounts all we'll consider is last year's estimates, last year's expenses ending March 31st, 1961, and any questions we'd want to ask in that committee on the points raised by the Leader of the Opposition wouldn't be answered. Now that's plain enough. I believe that he's evading these particular questions. All we want to know is what did he do with that \$40.8 million of a bond issue last year, whether that money was used wisely or otherwise. Is he using the treasury bills that he's raising now to redeem some of those bonds that were floated last year? Are those bonds being redeemed? At what rate are they redeemed? How much of that \$40.8 million is still in the Treasury of the province or available to the Treasury? Have the bondholders redeemed these bonds, and if so, how many? He tells us just lately that he's floating another bond issue, on top of the treasury bills that he intends to raise some money with. I think this House is entitled to know what he's doing with that money, and when the Leader of the Opposition asks simple questions that could be answered with a little bit of work and he admits that it isn't too much, then why not give us the answers?

MR. ROBLIN: My honourable friend's list of questions, I think, is a pretty good indication of how difficult it is to get the answers for these things in a short time. It can't very well be done. As to this business of Public Accounts Committee, the Public Accounts Committee can examine any matter that is referred to it and while I am not insisting on that by any means, if this matter was raised in the Public Accounts Committee on the undertaking of the government that it would be open for questioning, then it certainly would be. We've done that before. My honourable friend knows it. He knows perfectly well that we're not trying to use the Public Accounts Committee to get the Honourable Leader of the Opposition in there and then tell him that because it isn't on the agenda we don't intend to provide the facts. I think that's a very, very uncalled for statement, because if an undertaking is given that it will be provided, it will be provided, but it certainly can't be provided tonight to the honourable gentleman. His questions or the others, because it is going to take some time to get this information together. We do not refuse to give the information but we're going to know exactly what my honourable friends want to know and it's going to take some time to get it together.

MR. HRYHORCZUK: But Mr. Chairman, would the Honourable the First Minister agree to hold this item until we get the answers to that question?

MR. ROBLIN: I think, Mr. Chairman, that we don't need to hold the item, but I have no objection to the matter being discussed in committee, provided that the committee is going to be satisfied with the kind of answers that I can give, because the details that my honourable friend's asked for are certainly not at anybody's fingertips. Just recall what my honourable friend, the Member for Ethelbert has been saying for the past few minutes; you will recognize how difficult it is to get those answers. I am not interested in withholding the information. I am interested in making sure that the information I do give is completely accurate. Now if my honourable friends will give us the matter in writing or--they've been doing a lot of talking here tonight--allow us to read it in Hansard, so we know exactly what it is that you're asking for, we'll do our best to provide it, but I suggest that there will be plenty of opportunities to raise the matter again if members want to, and I give an undertaking that we'll not attempt to close them off on the grounds of procedure or anything of that sort, because perhaps when the Capital Estimates are down or anything of that sort, it's quite a reasonable time to reopen the matter, in view of the fact that it is Capital sums. So we've got no objection to providing the information and we've got no objection to discussing it in the Committee, providing he'll accept the kind of answers that I'm able to give in the Committee, but if you want to get more answers than that, it's still open for you to discuss at the Public Accounts Accounts Committee and I make that offer--that if you're not satisfied with the answers that I can give here, you can discuss it in the Public Accounts Committee. But what is the point of trying to hide anything? There's nothing we want to hide. We just want to make sure that we give you the correct--as nearly the correct facts as we can. Now on that basis we can provide the information as soon as it is available.

MR. HRYHORCZUK: I am not suggesting, Mr. Chairman that the First Minister is trying to hide anything. That isn't the point at all. What we're doing is just asking for some simple information that must be available to him as the Provincial Treasurer. That's all it is in a nutshell.

MR. ROBLIN: But it isn't available as readily as that. Now I want to go back to my honourable friend, because he just left the implication in my mind that what we are trying to do was some tricky device to close off discussion now, get it in the Public Accounts Committee, then refuse to talk about it, on the grounds that it wasn't on the agenda of that committee. Now that's the impression he left with me. Now I want to assure him that that isn't the case, that we've got no objection to disclosing all the information we can on this and we will do so, given reasonable notice.

MR. HRYHORCZUK: Mr. Chairman, that if the First Minister insists on taking this attitude he's the one that's going to leave the wrong impression, not me.

MR. PAULLEY: Mr. Chairman, while we're discussing the question of information forthcoming to the committee--discussing the question of the savings bonds, I don't know if the Honourable the Provincial Treasurer recalls that when we were discussing his estimates a year ago in respect of this department and in particularly the savings bonds I requested information from him as to a breakdown of the categories for which these bonds were purchased. If memory serves me correctly this information has not been forthcoming. If I recall correctly the Honourable the Provincial Treasurer--

MR. ROBLIN: question a little more closely and we'll try to get the answer.

MR. PAULLEY: I beg your pardon.

MR. ROBLIN: I'm not sure what you want to know.

MR. PAULLEY: Well what I wanted a year ago and I was assured of receiving the information Mr. Chairman, was the facts of the breakdown of the subscribers to the savings bond issue of \$40,000. Now if I recall correctly--I don't know of course what this particular issue --(interjection)--Pardon--\$40 million. I don't know if the forthcoming issue will be on the same basis as the last one, but if I recall correctly the maximum that could be held by any corporation or individual was \$25,000 in the aggregate, and a year ago we asked for the information as to a breakdown in categories in amounts--how many subscribers took the advantage of the full amount of \$25,000; how many took \$20,000; and breakdown into reasonable categories. I wouldn't be unreasonable and ask for full information as to all amounts, but in general in the respective categories. I might say, Mr. Chairman, that I'm vitally concerned with this, or interested in this, because while in the aggregate there was \$40.8 million of an investment, I'm interested to find out because of the fact that the First Minister and all of us have mentioned in respect of the savings bonds of Manitoba, that this is an indication of general support of the people of Manitoba. I wanted to know then, and I want to know now, how much of this support came from what we consider the ordinary individual on the street; how much of it came from those who had, say, \$25,000 to invest in provincial bonds, and I would suggest that individuals like myself wouldn't have \$25,000 to invest in provincial bonds and I'd like the Provincial Treasurer who I think assured us of receiving this information a year ago, whether now he's in a position in his department to give us this information.

MR. ROBLIN: I think I get my honourable friend's point and I can say that this information has only just recently become available from the department. I think I saw a statement on this approximately a month ago, so it's brand new information and I'll try and get it. As I recall the statement the average investment was something in the neighbourhood of \$2,000 and there were some fourteen or so thousand investors--I hope that works out right--if anyone's got a quick pencil they can tell me whether it does or not, and the personal investments in it were in the neighbourhood of 32 to 34 million and about 6 or 8 million, something in that neighbourhood, came from corporations and from estates. A good deal of the money came from the metropolitan area but all parts of the province were represented, and I'll dig up what information we have on that and give it to my honourable friend, and if it's not satisfactory he can ask further questions.

MR. GUTTORMSON: Mr. Chairman, during the last year this government has embarked on a policy whereby they hold cabinet meetings outside the city of Winnipeg, or outside this Chamber. The First Minister has indicated that the meetings out in the country were justified

(Mr. Guttormson, cont'd.) because they wanted to take the cabinet to the people--

MR. CHAIRMAN: I don't think that is just on the matter that we have before us at the present moment.

MR. GUTTORMSON: Why doesn't it, Mr. Chairman? We're dealing with an expenditure of money.

MR. CHAIRMAN: No, I think that's not in order just here.

MR. GUTTORMSON: I beg to disagree with you, Mr. Chairman. This is an item dealing with a government expenditure of money and the subject I have to deal with is to do with the budget. I don't see why it isn't proper, Mr. Chairman.

MR. CHAIRMAN: I thought you were raising the questions as to the propriety of just leaving this building, as you did the other day--holding meetings elsewhere.

MR. GUTTORMSON: I'm sorry, I didn't hear you.

MR. CHAIRMAN: I think we've got this matter before us now. We're discussing the bond; we're discussing the question of the finances. I think we should just keep to that for the time being.

MR. GUTTORMSON: I'm sorry, Mr. Chairman, I can't agree with you. The matter I have to raise I think is important and should be raised.

MR. CHAIRMAN: I think we should stick to this; we'll have lots of opportunity to discuss other matters like that later on.

MR. MOLGAT: Mr. Chairman, with all due respects to your ruling, it seems to me that possibly my honourable friend could bring this up now because we are discussing Treasury and I understand Treasury takes in all of the budget matters, and the news clipping that I have says "Retreat held to consider budget. The Manitoba cabinet has a new retreat in which to hash out provincial finances". Now I think that's what my honourable friend wants to talk about, and this appears to me to be directly related to the Treasury Department.

MR. CHAIRMAN: No, in my opinion, I leave it to the committee, but I thought it was just a question of the advisability of having a retreat, as the report says.

MR. MOLGAT: It was a special kind of a retreat, Mr. Chairman. It was a retreat on Budgets.

MR. CHAIRMAN: to discuss any mortal thing under the sun, not necessarily finances.

MR. HRYHORCZUK: Mr. Chairman, I don't think the honourable member is interested in the retreat; he's interested in the money that was spent to use this retreat.

MR. CHAIRMAN: That's my ruling in the matter.

MR. GUTTORMSON: I don't know why you're trying to curtail debate on this matter. I think it's very--

MR. CHAIRMAN: Well because--I did that because I see no direct connection between the holding of this retreat, as reported in the press, and the question of the treasury.

MR. GUTTORMSON: Well if it is used to deal with any matter that has to do with money, surely this is the time we should speak on the matter. Do you wish me to read the clipping that shows you why I feel I'm justified in speaking on this?

MR. ROBLIN: The Chairman's ruling really isn't debatable. If my honourable friend wishes to find out the sense of the committee, let him make a motion to that effect.

MR. GUTTORMSON: Mr. Chairman, I challenge your ruling. I think it's incorrect and I challenge it.

MR. L. DESJARDINS (St. Boniface): Mr. Chairman, may I ask a question? Why are the affairs of the budget better discussed outside this building? It seems that I've asked the question under Executive Council and that question wasn't answered. Now this might be the place. Is there any special reason why this money matter can't be discussed here? Do the walls have ears or what is the matter? Is this in order, Mr. Chairman? There must be some reason. I think that we're entitled to know. The Honourable the First Minister told me last Friday that he was very touched by my concern and I wish that he'd show that he is touched with the concern of other people also and maybe he can give us an answer.

MR. PAULLEY: Mr. Chairman, if this item that's raised by the Honourable Member for St. George, if it's not proper to discuss it under this particular item, where might it be proper to discuss? I think if we had an indication that it is possible to discuss this on another item,

(Mr. Desjardins, cont'd.) if not this one, that might be satisfactory. --(interjections)--

MR. PAULLEY: Pardon, under what item?

MR. MOLGAT: Mr. Chairman, it was discussed, but it wasn't answered. My honourable friends across the way didn't supply an answer. Now surely the request of my colleague from St. George isn't unreasonable. He's asking the question under Treasury. The movement out of the building here, the junket, was presumably for purposes of discussing estimates, from the reports we've had. Surely this is the proper place to ask the question.

MR. HILLHOUSE: Mr. Chairman, we no longer have a Department of Immigration in this province so I think this is the proper place to discuss it.

MR. SCHREYER: Mr. Chairman, I respectfully suggest that the matter which the honourable member raises could be discussed properly in the Department of Industry and Commerce under tourism, since motels are involved.

MR. CHAIRMAN: That's the ruling that I--(interjection)--Pardon?--that it's out of order to be discussed at this present time. This matter's already been discussed.

MR. ORLIKOW: Your ruling apparently has been challenged--

MR. CHAIRMAN: it's for the committee.

MR. ORLIKOW: Your ruling apparently has been challenged and possibly I'm a stupid member of this committee but before I vote on your ruling I would like to know at what point this matter can be discussed. If there's another point at which it can be discussed then I certainly would not want to vote against your ruling. If there isn't, then I'm afraid I would have to vote for the motion, and I think the members of the House have the right to know when this tremendous sum of \$36.20, when it can be discussed, or where?

MR. ROBLIN: Mr. Chairman, I don't know whether I can help you on this point or not. The government has got no objection whatsoever to the matter being discussed, as long as anyone likes to discuss it. Unfortunately you have made a ruling on this and I don't think the committee really wants to challenge the ruling. We may be able to find some other items on which we might be able to discuss it and on that basis, I can't think of one at the moment, but I would suggest that we do not press the matter at the moment and we can have a look at the estimates and see where we could discuss it, because I've certainly got no objection to the honourable gentlemen opposite expressing any opinions they like on the subject. So if that would be agreeable we could just forget about it for the time being and between now and next time this committee meets we could see where this matter could properly be discussed and make that known to members of the committee.

MR. HRYHORCZUK: Mr. Chairman, that may be a very good suggestion but supposing we don't find an item under which it can be discussed. I would suggest that we hold this item until we find one that we can discuss this point on.

MR. ROBLIN: We can't do that in view of the Chairman's ruling and besides we have the Speaker's ruling, which we don't know what that's going to be, on the very same point tomorrow. So why not just let this matter rest for the time being and see what happens?

MR. DESJARDINS: Mr. Chairman, it would seem that the Premier is so concerned of finding a place to discuss it. You have ruled that the Honourable Member from St. George was out of order but you haven't ruled on my question yet; why was this question of budget better discussed outside this House? Maybe we can find this place without challenging any ruling, find this place to answer it. I think that this is related; I'm just asking this: why are the affairs of the budget better discussed outside this House? I think this would give the Honourable the First Minister the chance that he wants to find some way to discuss it.

MR. CHAIRMAN: Well I think perhaps that we should just leave the matter for the time being and as the First Minister says find some place--

MR. DESJARDINS: Well, would you give a decision also on my question?

MR. CHAIRMAN: Pardon?

MR. DESJARDINS: Am I to feel that I'm out of order also on my question?

MR. ROBLIN: Mr. Speaker, I think the honourable gentleman can discuss his point and I would suggest that probably when we get to Public Works there's an item there on public buildings and includes this Legislative Assembly and my honourable friend can speak on it then and we can discuss the matter.

MR. ORLIKOW: Mr. Chairman, I think we could discuss it under No. 9, Attorney-General.

MR. ROBLIN: What's that say?

MR. ORLIKOW: Administration of estates of the mentally incompetent.

MR. ROBLIN: Mr. Chairman, I prefer the suggestion of the Honourable Member for Brokenhead.

MR. DESJARDINS: Mr. Chairman, will of course, deal with buildings that are not alive; that might be the place because this building has been emptied when it's time to discuss this.

MR. CHAIRMAN: I think that's a good way out, to settle it, to let it come, as the First Minister said, under Public Buildings and--

MR. DESJARDINS: Maybe we can buy the Charterhouse between now and then.

MR. SCHREYER: Mr. Chairman, come back to the discussion we had on treasury bills. I just have two brief questions to ask the First Minister. As I understand it 90-day treasury bills, the use thereof has been entered into by this administration in order to take advantage of the short term money market, and it seems rather strange to me that this should be attempted at this time in view of the fact that the federal government is moving into the short term money market in the hope that they will leave long term money market more open to provincial and municipal borrowing. And if this is in fact the case--and the federal government people say it is--it seems rather strange that the Province of Manitoba should be moving into the same field as the federal government, with such hope. I don't think we can hope for as substantial a saving as the First Minister indicated. My question really has to do with amounts. It could be that I wasn't listening carefully enough but the Provincial Treasurer gave me to understand that at the end of one fiscal year we would have accumulated or aggregated a total of about \$13 million in debt by way of treasury bills, and if it is a fact that we are going to borrow by treasury bills at the rate of about one million dollars per month--(interjection)--Oh. Well that answers the question right there. I can leave the rest unasked.

The other question, Mr. Chairman, has to do with the mechanism as to how this money is streamed into us here in the province. Now as I understand it the Consolidated Revenue Fund has several separate accounts, the two main accounts of which are current and capital, and I'm wondering if the First Minister could tell us if most of the monies that will be borrowed by treasury bills are going to be streamed into the current account or is it going to be used indiscriminately for current and capital? Although I can't imagine short term money being used in capital to any extent.

MR. ROBLIN: Mr. Chairman, answering my honourable friend, I may say there's plenty of room in the short term money market for a great many people besides the federal government. You will find that many, many commercial organizations are in the short term money market, just the same way as we are, and there's considerable supply of funds. If that were not so the rates would not be so low; and we would be out of that market if it did not appear to be financially advantageous to us. So that's the reason why we're in it. It's going to save us a couple of hundred thousand dollars in interest charges, which, as I think, is saving well worth making.

Now in connection with the other point: what do we do with the money? None of it goes into current. This is entirely used for capital purposes. Now I don't want my honourable friend to think that we put this in and out of capital on a 90-day basis because, of course, if the money is lent to the Manitoba Hydro, for example, to pay for some of the bills at Grand Rapids--that's where a lot of it undoubtedly will go--they're on a very, very long term basis, indeed. That is why we have what's called the float; that is why we reissue these bills every week so that we have a continuous float of \$13 million. The effect of that is that we can use that money really over a very long period of time--it doesn't come in on 90 days. It's maybe years before the float changes. That's the way the system is devised.

MR. J. M. FROESE (Rhineland): Mr. Chairman, I have been wanting to get up on my feet for some time and wasn't able to. Since the last item in the estimates dealing with debt and taxation requires no resolution I think it would be proper to put any questions at this time regarding that aspect. First of all I think we all agree that today taxation has taken on in a big way. I notice that in the March issue of the Canadian on page 13, headed, "Barometer" it has this to say: "Governments at all levels in Canada now pay 26% of the national income. This is roughly what the United States Government takes with the big difference that in the United States

(Mr. Froese, cont'd.) real income are 40% higher", so we find that taxation in Canada is much worse than it is in the States. I would like to read a few paragraphs on the matter of taxation. This is from the book called, "Aladdin's Lamp". It was written by Gorham Munson, an economic journalist, and on page 298 he has this to say, and I'm quoting: "Only one government in the world, the Provincial Government of Alberta, has ever officially provided the true background against which the subject of public finance should be reviewed. That was done in the document and patent, The Case for Alberta, released in 1938". The logic of these paragraphs quoted below applies in every detail to the taxation problem faced by the United States Treasury as we emerge from the war period, and it applies equally in Canada.

"The whole subject of public finance is bound up with that of the monetary system. The principal problems confronting all governments are the problems of an ever-mounting debt structure and of the necessity to secure an increasing revenue to meet the continually growing needs for social services. These are due to the vicious results of economic degeneration which in turn are due to a discredited and defective monetary system. As a teacher of a system operated at present the world over that as a nation, a province or a state becomes wealthier in real sense, that is in its ability to produce, so its people become more and more financially impotent. Public debts pyramid and taxation increases. The increased ability to produce is not reflected in the purchasing power of the people. In fact, purchasing power relatively decreases, leading to economic impotence. Unemployment, increasing indigents, and health degeneration due to worry and poverty are the outstanding features of every economically wealthy country. They are the fruits of the present social order and are due to fundamentally defective financial system. Faced with such a situation governments are driven to provide increasing social services which results in increased taxation. As it is a feature of the present system that governments shall attain their revenues from taxation, and as taxation renders the individual citizen less secure to the extent that it reduces his purchasing power, it merely aggravates the situation. Therefore, rather than attempt to operate within the limits of tax revenue, governments are driven to borrowing. This, however, merely eases their pride temporarily, for the increased debt leads to increased taxation to meet interest and sinking fund payments. This in turn leads to the need for further borrowing and so the situation becomes more and more intolerable for the people and increasingly difficult for the government!"

I think this is more true today than it was at the time it was written and I would like to quote part of one further paragraph which deals with taxation itself, and I am quoting: "Few people seem to realize that taxation is only recently respectable. As the economist, C. E. Ayres has reminded us, in early folklore the tax collector was usually depicted as a close relative of the devil. Let us not smile too readily at this superstition of primitive peoples. For most of recorded history the job of collecting taxes was too unsavoury a business for public officials. With the publicans of Rome in mind we may say that very often it was farmed out to persons who combined the traits of a secret police with those of racketeers. What has brought about the change whereby collectors of internal revenue if never popular are at least respected? The change is connected with the growth of indirect taxation which has kept pace with the growth of commerce. In fact, as Ayres carefully explains, our merchants have become unofficial and unpaid tax gatherers. Through the modern practice of bookkeeping, governments are able to keep tab on the merchants, and through the price system concealed taxes can be easily passed on to merchants' customers, and this way taxation, which was formerly regarded as disreputable oppression, has become the most respected form of oppression, whitewashed by its victims even while they bleed".

And those few paragraphs bring out some points which I would like to question the First Minister on. One of them is in regard to the collection of gasoline tax. Are our present collectors reimbursed for the work? Secondly, in case they run up accounts receivable and they have to dish out the taxes, is there any way in which they can be recompensated for it? Then I would also briefly like to comment on one other aspect of the Throne Speech and that has to do with the brief to the Royal Commission on Banking and Finance. In the Throne Speech there was a short paragraph stating that "my ministers also plan to make representation to the Royal Commission on Banking and Finance when that body opens its hearings in Manitoba". I would like to know from the Minister just what aspects will be covered by that brief and whether he can give us any further information as to what the brief is to contain? I note that from this

(Mr. Froese, cont'd.) same issue of Canadian, the March issue, there is a paragraph on that same page that I quoted before, page 13, and it has this to say, and I am quoting: "Graham Towers suggests that the Royal Commission on Banking and Finance should direct its attention to the economic effects of taxation since fiscal policy has a major bearing on the operations of the banking system. 'If it is found that over-taxation is contributing to unemployment by raising costs and reducing incentives, new government spending should be limited until the total tax revenue represents a lower percentage of the gross national product,' he said". And further to that I would like to have some information from the First Minister regarding unused authorization for capital expenditures. Could he tell us how much is still there to be expended? How much in total there is authorized which has been unused so far?

MR. ROBLIN: Mr. Chairman, I would like to try and deal with some of the questions raised by the last speaker. I think, first of all, I'd inquire of him whether he has read Premier Bennett of British Columbia's budget speech this year? Because if he has he will find out that Premier Bennett in British Columbia, who I believe is head of the Social Credit Government, makes quite a point of the way in which he has used the public credit to support worthy public undertakings in the Province of British Columbia, and well he might make the claim because the Province of British Columbia at the present time--if one takes his complete debt picture, namely a guaranteed debt as well as any other debt they may have--has the heaviest per capita debt structure in the country, and far be it for me to say that it's too heavy, but nevertheless it is a fact that the Province of British Columbia has made very extensive use of the public credit to support the public undertakings in that province, and Premier Bennett in his budget speech--and I am just sorry I haven't a copy in my desk because I made a note of this portion of it--made it very clear that he was quite satisfied with the way they had made use of the public credit in that respect, so that it depends which Social Credit Government you're talking about. Now the one in Alberta is--as far as I know and I think I'm right here--is a pretty good government. I would say nothing uncomplimentary about them, but I would simply point out to my honourable friend that if he was reading the paper tonight, he would have noticed that the revenue that is being planned for by Mr. Hinman, the Provincial Treasurer in Alberta, from oil alone exceeds the current revenue estimates for the Province of Manitoba--it's over \$120 million. So one can see that in that province they really perhaps are fortunate in being able to call upon these enormous revenues from oil to help support their public revenues, and I submit, with respect, that that is the reason why the Province of Alberta does not have any direct debt of its own, although it too guarantees certain debts. It guarantees, for instance, the debt of the Alberta Municipal Finance Corporation just as we guarantee the debt of some of our municipal undertakings here in this province. So that I don't think the question is by any means as open and shut as my honourable friend likes to make out, or at least the impression that he left with me that he wished to try and demonstrate that there was a complete difference of policy with respect of Social Credit Government and this government in respect of the use of the public credit for public purposes. I think the Province of British Columbia does much the same as we do in that respect, and the Province of Alberta is in the fortunate position of not having to do this to any great extent, though they do it to some extent, because they have these very large revenues from oil on which they can rely, and I say good luck to them. I only wish we had them here.

Now with respect to the level of taxation at 26% and the Royal Commission on Banking and Finance. I would like to say that one of the things that we will certainly be presenting to that Royal Commission--and our brief is not yet at the stage where I can give any detail as to the exact content--but the general line of discussion will emphasize, among other things, the effect of banking policy or perhaps even economic policy generally on provincial and municipal governments as such, and also on the question of regional development. We feel quite strongly that the question of regional development with respect to banking policy and monetary policy is one that this commission should study. Now I am going to say one thing though, I am not certain whether we will take a position officially in respect to the level of taxation at 26%. I think if one compares it to the taxes in other countries, one will find that it is not out of line these days. In fact if my memory is correct, and I hope it is, in the Federal Republic of Germany, for example, and it's often held up to us as one of the outstanding free enterprise governments in the world, one will find that the level of taxation there is higher than the level

(Mr. Roblin, cont'd.) here in Canada, so that it's really unfair to try and make comparisons of that sort. I wouldn't like to draw any conclusion from the fact that one government in one country has a higher or a lower level of taxes than we do, because a great deal depends on just what the policies are that are being pursued, and until those are analyzed pretty carefully, I don't think that it's helpful to make the comparisons without further study.

Now on the question of unused authorization, those unused authorizations are still in force because the Legislature makes the appropriation in that way. It's not like current account appropriations which fall in at the end of every year. The capital appropriations are still outstanding. I haven't got that figure with me, but I undertake to provide it for my honourable friend.

MR. GUTTORMSON: A few moments ago you ruled against me speaking on a subject. Have I got your assurance that I can speak on this item on another item during the estimates?

MR. ROBLIN: I am sure we can give the honourable gentleman that assurance.

MR. GUTTORMSON: Can you tell me where?

MR. ROBLIN: Well I for one, if we like to make an agreement about it, let us agree that on this building item that we've already mentioned that we'll have a wide open discussion on these two propositions my honourable friend is interested in.

MR. GUTTORMSON: Is that in the Public Works?

MR. ROBLIN: Yes.

MR. GUTTORMSON: Allright then, I won't challenge your motion.

MR. SHOEMAKER: Mr. Chairman, I have three questions I think and I believe that I am in order in asking them now, because I would like to refer at the moment to the Manitoba Budget & Economic Review of 1956 that I have before me. Manitoba Budget & Economic Review 1960, on the bottom of Page 26 the honourable the First Minister says, referring to the debt and I quote: "As to the cost of debt support, we realize how small this is in the light of our current ability to bear these charges. Net interest and amortization of discount costs for the next fiscal year will only take about 2% of our revenue compared with about 24% of 20 years ago. This we can certainly afford to carry". Now my question number one is: It is a fact, isn't it, that the percentage now has risen to 8%? That is, it was 2 at that time; it is now 8%.

That's question No. 1, and then on Page 33 of the same report there's a subject matter here that I haven't had an answer to yet, and I quote again: "The problem of attracting savings into investments in provincial and municipal securities has been given a good deal of attention in the past few months. Various possibilities present themselves, but in most cases these involve inter-governmental co-operation which has not been forthcoming". Then the Honourable the First Minister cites an example: "For example, Manitoba has for some time been looking at a method commonly used in the United States--that of providing exemption from income tax for state and municipal securities". My question is, has anything further developed in that regard?

My third question is this, and I think it is a fact that the Honourable the First Minister told us one day last week that the cost of acquisition of the 91 day treasury bills was \$275 per million--I think that was the figure quoted. Now that is for 90 or a 91 days. Now it does seem pretty insignificant, but I am wondering what was the acquisition costs for the 10 year Manitoba bonds that were issued last year. My point is this, is the acquisition cost per day about the same for the 90 day treasury bills? That is, a 10 year bond would be 40 times the length of a 90 day treasury bill, so that you could in effect say that the cost, the acquisition cost of a 10 year bond would be 40 times \$275, to give you a comparison of the acquisition cost per day.

MR. ROBLIN: Mr. Speaker, in endeavouring to answer the last speaker, may I say that I don't agree with his figure on the percentage that the support of the public debt bears to our revenue. I would put it at about half the figure that he gives, and my explanation would be as follows. The item in connection with net interest, and I suppose one had better add as well the amortization of debt discount, can be regarded as interest costs--and those are the costs of carrying the debt. The sinking funds and the debt redemption item merely represents the repayment of the debt which is, in effect, a cancellation or at least a cross-entry from the situation that would exist had we not borrowed the money, so that I don't regard the cost of the sinking funds and debt redemption as part of the cost of carrying the debt as we have to pay that money back anyway--if it came out of current it would be the same. The extra costs that are involved are the costs of interest and they come to something over \$4 million, so I would suggest

(Mr. Roblin, cont'd.) that about 4% would be the cost of carrying the debt in the Province of Manitoba, which I don't think is out of the way and I think which leaves us considerable leeway for future activities.

Now dealing with the tax-exempt bonds, I have to say that we have got precisely nowhere with the suggestion on tax-exempt bonds. We have raised the matter repeatedly at Dominion-Provincial Conferences and I am afraid we've never got any indication that the Federal Government would be happy with these. However, I think I may tell my honourable friend that this is one of the matters which we intend to raise again when discussing municipal finance with the Royal Commission & Banking Finance that will be here in a reasonable period of time.

Now on the acquisition costs, I can give some rough figures on those which I believe give an indication of the situation. The cost of securing the savings bonds is--the commission paid was 1%, so 1% over 10 years is one-tenth of 1% per year. Now it's probably going to turn out to be something more than that because there is the question of redemptions which will increase the cost of acquisition. I can't tell him now what that will turn out to be, but it's roughly about one-tenth of 1% at the present time. Now what relation is the acquisition cost of \$250 to \$1 million--let me see, how many 90 day periods are there in a year? Four--if there are four 90 day periods in a year, it means that on an annual basis the cost would be \$100,000--that's on an annual basis. So \$100,000 would be again, if my arithmetic is any good, one-tenth of 1% would it not?--on the million? So that it works out about the same in both cases.

MR. CHAIRMAN: Resolution 8--passed?

MR. MOLGAT: Mr. Chairman, I have some more questions I would like to ask on 8. I wonder if the Minister could outline to us how the income tax money which is now being collected for the Province of Manitoba comes back to Manitoba. As I understand it, the corporations which, if I recall correctly, we are charging 1% income tax, the final deadline for their report is June. So far as the individuals are concerned, the final deadline for their report is the 30th of April, and over and above that there are the monthly deductions from anyone on payroll. I wonder if the Minister could indicate to us how these monies flow back to the Province of Manitoba from Ottawa; when do we receive them; and what accounting is done and so on?

MR. ROBLIN: Mr. Chairman, I can say that there is absolutely no difference in the procedure now than the procedure before. That is, that Ottawa sets up in the beginning of the period the sum that they estimate we will receive. They then give us installments on that as the year goes by and at the end of the year they see how close their estimates were to the facts, and we either owe them money or they owe us money. I think the essential point is that there is no change whatsoever in that procedure as far as we're concerned. It's the same as it was under the Tax-Rental Agreement, and the tax collection from my point of view in receiving the money, I can't tell the difference.

MR. MOLGAT: The payments of course are larger on the present basis.

MR. ROBLIN: The payments are larger.

MR. MOLGAT: How frequent are these installments made back to the Province?

MR. ROBLIN: Now, Mr. Chairman, I am afraid that I can't be sure that I am right on this because it is a matter of procedure within the administration. I think, if my memory is right, that we get monthly payments on this account. Perhaps the honourable member for Lakeside who has been a treasurer could confirm to me that that's correct, but my belief is, and I think I am correct, that it is on a monthly basis.

MR. HAWRYLUK: Mr. Chairman, this afternoon I asked the First Minister regarding the interest on the \$40 million and I got the answer as \$3 million--around 3-1/2. I was just wondering whether that's contained in the public debt here, the question I asked of the \$40 million that was--

MR. ROBLIN: Well we're paying 5% on \$40 million, so that if the whole \$40 million is out, whatever 5% comes to that's what it is. But members realize that not all of that, in fact a very small portion of that, perhaps none of it in some circumstances, becomes a charge on the Consolidated Fund. These interest monies are paid over to us by the Hydro or the Telephone or whoever actually got the money in the final analysis, so that our net bill is the figure that's shown here in the estimates at something over \$3.6 million.

MR. CHAIRMAN: Resolution 8--passed?

MR. MOLGAT: Mr. Chairman, I have some further questions as well. I wonder if the

(Mr. Molgat, cont'd.) . . . Minister could undertake to find out for us how frequently the payments are made from Ottawa.

MR. ROBLIN: Monthly.

MR. MOLGAT: It is definitely monthly.

MR. ROBLIN: Yes.

MR. MOLGAT: Fine. And this is an average over the year, I presume.

MR. ROBLIN: Yes. They set at the beginning of the year, as the Honourable Member for Lakeside can tell my honourable friend, they estimate--as a matter of fact it appears in the Estimates in Ottawa--they estimate how much this province is going to get, and on the basis of that they make their payments. Now at the end of the year they calculate how far out they are on their estimates and, as I say, we may owe them or they may owe us, but they do their best to hit the estimate on the head to the best of the information that's available to them. Of course one has to recognize that this estimating is a highly speculative business, because what you are really estimating is the performance of the economy for the next 12 months and that's an exceedingly difficult thing to do on the nose. It would be unusual, I think, if they were completely accurate, in fact there would be something wrong. It would just be chance if they were completely accurate. I think probably one could say that the estimates that Ottawa prepare are usually on the conservative side, although I can remember one occasion, and the Honourable Member for Lakeside will remember it very well as it happened when he was in office, that their estimate was optimistic and we didn't get all the money that they said we were going to get. But I believe that's the only occasion on which they erred on that side. Usually we get a little bit more, but you can't tell until the year is well over and they've had a chance to add up all the factors involved.

MR. GUTTORMSON: Mr. Chairman, I see where the item under salary for the Minister is listed as \$10,000, and in the Executive Council it shows the Premier and President of the Council, \$12,000. Now I know he's not taking two salaries but why is the differential? This is the Minister's Portfolio, as I understand it. Should it not be \$12,000 in this place?

MR. ROBLIN: For some reason which is perhaps not satisfactorily explained, the First Minister in Manitoba gets \$2,000 a month more than other members of the Executive Council. There's a strong opinion held by some in this House that he isn't worth it, and I hesitate to add my views to that particular thought. However that may be, I almost thought for a moment that my honourable friend was going to propose that I should be paid the two salaries, one for being the First Minister and one for being the Treasurer. Coming from him that would be quite a handsome suggestion, but he didn't get that far. Of course I suppose it's pretty clear that I'm not going to get two salaries. The salary shown under the Executive Council is the one that I shall receive as long as I'm in the office, and the other item is perhaps pro forma in case a new treasurer should be required in the course of the year. I may say that there are no plans at the moment, but one never can tell.

MR. SCHREYER: Mr. Chairman, in view of the fact that the allocation of \$10,000 is not in fact used, is it taken as given that at the end of the fiscal year it simply reverts back to the Consolidated Revenue Fund, or is it diverted to another item in the same department?

MR. ROBLIN: No, Mr. Chairman, it's not diverted to another item in the same department. It falls back into the Consolidated Revenue. If members will understand that what we are discussing here are estimates only, and sometimes we get pretty badly fooled and our estimates aren't very good or new circumstances arise--for example, the drought of last summer and the forest fires were certainly not estimated for and they were fairly expensive operations--but the money does go back into the Consolidated Fund. There is a procedure for transfers between votes, on votes that are closely related, and sometimes that does take place if one vote is under-expanded and one is over-expanded--that sometimes takes place. But as a rule, if we are over-expanded we either raise a special warrant if the House is not in session, or if the House is in session we present it as supplementary estimates.

MR. SCHREYER: Mr. Chairman, I know that it is a pretty hard and fast rule in provincial and federal financing that no monies be diverted to one department from another, and I understand it's just as hard and fast a rule, or practice, that no money be diverted from one vote to another. I'm a little surprised to hear the First Minister say that there is sometimes followed the practice of using monies from one vote for use in another item.

MR. ROBLIN: My friend misunderstood me. If I said that I shouldn't have. The appropriations are called sub-appropriation transfers and can only take place within a vote. You cannot transfer money from one vote to another. That's quite improper and it's not done.

MR. GUTTORMSON: Mr. Chairman, do I understand the First Minister correctly then that the \$10,000 that's allocated to the Minister's salary can be used for other salaries in that department?

MR. ROBLIN: It's possible, but I can tell my honourable friend it won't happen.

MR. CHAIRMAN: Resolution 8--passed?

MR. MOLGAT: Mr. Chairman, still on 8. This same item of the Minister has been in I think every year since my honourable friend took over as the Treasurer, and every year we've asked him the same questions. Is it his intention to appoint another Provincial Treasurer? Every year the same answer is given, that he hasn't quite made up his mind yet. I think either we should settle this one way or another, either appoint a Provincial Treasurer or remove the item.

MR. ROBLIN: Mr. Speaker, the only firm statement I can make on this subject is that I will not invite my honourable friend to assume the task.

MR. MOLGAT: I can assure him that in his present administration, Sir, I would not be interested in the job. However, it will be not too long before we'll be in a position to undertake those important duties and take care of them at that time.

On the subject of Other Salaries, Mr. Chairman, there seems to be quite a--(interjection)--no, we're still under Item 8. There's a substantial increase there. What are the additions in particular in that line?

MR. ROBLIN: Mr. Chairman, I'd like to deal with the question of staff here for the whole of the department if I may. It might be a convenient place to do it. And that is, that in this department, plus the Comptroller-General's Office, plus the Premier's Office, there is a total staff of--just a second now, if I can find it--155. This compares with 154 last year. However, there has been some shuffling around between these various components of my responsibility, and in this particular item of Administration Salaries, there is an increase of three over last year--a Budget Analyst, a Clerk and an Executive Assistant.

MR. PAULLEY: Mr. Chairman, while we're discussing salaries, if the First Minister may recall, the other day I asked him for the salary staff count of last year so that we could have this. He indicated that he was going to give it to us in form. Now I wonder or not whether he's not processed that.

MR. ROBLIN: dealing with all departments. The Provincial Secretary has those and he will pass those around to members. I also undertook to get a list of salaries for the Honourable Member for Carillon. I don't want him to think I've forgotten that, because I haven't. I can give you the Deputy Minister in this department right away so you'll have that. Last year his salary was \$15,000; this year, it's \$15,500. Now in addition to that the Deputy Treasurer sits on the Manitoba Hydro Board and receives \$3,000 a year for that service as well, so that makes up his total emoluments from government service.

MR. HRYHORCZUK: The estimates here cover all the establishments under the department. Are these establishments filled at the moment, and if they're not, what positions are vacant?

MR. ROBLIN: In this particular item we're referring to, I believe there are no positions vacant in this heading of Administration - Other Salaries. We can deal with the other sections as we come to them.

MR. PREFONTAINE: Mr. Chairman, the data with respect to the staff in this department give us some numbers. With respect to Administration there are 32 being paid \$196,000. That would average at about \$6,000. Further down we have in Taxation Branch an average salary of \$3,400 which seems very very small in comparison to the average salary under Administration. I would understand that the salary of the Deputy Minister would come in, but I'm surprised to see such a difference. And if we go into other branches, we find the average salaries being \$3,700 for a Central Electronic Data Processing Bureau and \$4,800 on Insurance. There seems to be quite a discrepancy with respect to the salaries under Administration and in other branches of the department.

MR. ROBLIN: Mr. Chairman, I think that the question of salaries is one that is ruled on

(Mr. Roblin, cont'd.) by the Civil Service Commission. They set the salaries. That is, they set the relative salary scales and have done from time immemorial as far as I know, and they are responsible for the Salaries set for the different categories of public service. From time to time the employees ask for an increase in salary and that, of course, is based on what the Civil Service's scale is. Now in respect of this particular section, it is perfectly true that there are a number of our more senior civil servants in this sections, and it is their salaries which sends the average up. For example, I'll name no names but I'll name the position. The Assistant Deputy Minister is in the \$11,640 bracket. There is a Director of Budget, the same salary. There is the Chief of the Economics Research Division that has a salary of \$10,920. The Chief of Organization and Methods has the same salary, and some of the Analysts are in the \$8,000 class. So it is that that accounts for the fact that the average here is higher than some other sections because there happens to be concentration of some of the senior officers in this particular heading. Although one recognizes that their work isn't limited to Vote No. 8, they have responsibilities in connection with all the Votes under Treasury and with the general financial operations.

MR. REID: Mr. Chairman spent in his department. How and where did he get this extra money?

MR. ROBLIN: I've just been informed by the Provincial Secretary that I may have given a wrong impression when I said the Civil Service sets the salary. What I should have said was that they calculate what the salaries ought to be, and recommend, and then it's up to the Executive Branch to actually accept them. But the practice is that we accept the recommendations of the Civil Service Commission pretty well as they bring them in. I didn't get the question from the Member for Kildonan.

MR. REID: You mentioned before that under-expenses of estimates in any department, the money goes back to Consolidation Fund. Now suppose they overspent. Where and how do they get this extra money? I think he mentioned before if the House is out of session he can't get it. I was just wondering if he wants extra money, and he said it don't go from one department to another, well how does he get it?

MR. ROBLIN: Well we have a device called the Special Warrant which is an old and long established instrument by which the Executive Council can authorize the expenditures of monies over and above what may be estimated, where they deem that the situation is sufficiently emergent or pressing to do so. Of course the Special Warrants are listed in the Public Accounts, but if anyone wants to find out what they are, all they have to do is ask and we'll furnish that information.

MR. SHOEMAKER: Mr. Chairman, I would like to ask one further question, and I want to once again refer to the same report that I read from before. I quote from Page 29, and it says: "The case for restraint in capital expenditure has been strongly made by the Minister of Finance and by the Governor of the Bank of Canada, and we would agree as to the validity of much that they have said." Then the Honourable the Premier goes on to say: "Perhaps it would be more practicable for us to reduce our borrowings for capital if Canada would see fit to provide the province with a more realistic share of these important revenue fields which it now controls." My question is: Has there been any change at all in that regard?

MR. ROBLIN: I'm quite sure my honourable friend was here last August, or September or October or whenever it was when we thoroughly discussed the tax-rental agreements, so he will know from that debate what the changes are in the tax-rental arrangements. I think the shorthand way in which I could refer to it now is to make the statement that I made the other night, namely, that compared to the '57 arrangements, the present arrangements in this year will give us some \$4.4 million.

MR. S. PETERS (Elmwood): Mr. Chairman, under Other Salaries, seeing as we're dealing with it, I notice there's an increase of \$21,045 in Other Salaries. Could the First Minister tell us, not exactly what each person is getting, but is this an annual increment for certain people or are the top people getting more than the lower people? What is the range of the increases for these 32 people?

MR. ROBLIN: I think the Leader of the Opposition has got something to wants to say.

MR. MOLGAT: It's on an entirely different subject. You may as well answer this one.

MR. ROBLIN: If it's on this vote, I would be pleased to hear it now.

MR. MOLGAT: Well that's all right. It's on subsequent matters so you can go ahead and answer this one.

MR. ROBLIN: I'll wait--I'll wait for you.

MR. MOLGAT: Well if my honourable friend doesn't want to get up, I'll proceed and give him the question I have at the moment, Mr. Chairman, On page 32 of the book of Estimates is the item called Public Debt. Now there's no resolution number on it and I think this is the proper place to discuss it. I wonder if the First Minister would explain to us in particular one figure--Appropriation No. 3, Amortization of Debt Discount--if he could describe that figure to us.

MR. ROBLIN: Yes I will, Sir. I feel rather confident that my honourable friend the Leader of the Opposition knows as much about the Amortization Debt Discount as I do. However, if he thinks I can add anything to his store of knowledge I'll be happy to oblige. The Amortization of Debt Discount--

MR. MOLGAT: Mr. Chairman, for when I'm over on the other side, because he suggested a few moments ago that I was unfit to take the reins.

MR. ROBLIN: I appreciate that he's going to need an awful lot of help to get over to the other side, so I won't grudge him this question. But dealing first with the Honourable Member for Kildonan, or was it Elmwood? Let me say that the increased salaries are made up really of three components. First of all, last year there was a general salary increase. That is not shown in the item here for 1961-62. It is shown at the end of the book last year where there was some six or seven hundred thousand dollars for salary increase, but it was not distributed back to the department, so there is quite a sum in there that reflects a general pay raise that was given last year. In addition, there are these increments which my honourable friend refers to and they are based on the salary that a person happens to be getting, so they may be different for every person. I really haven't got the information as to how much each one gets, but the increases in the salary are made up of these items and that's how it is accounted for.

Going back to the question of Amortization of Debt Discount, I think that the situation can be explained in this way, that when a bond is sold, it may be sold at par; it may be sold at over par; and it may be sold at under par. If it is sold at under par, the amount of that discount is the amount that is being amortized here in this item. The procedure is that each year one amortizes the 20 year bond; one amortizes whatever is necessary to retire the whole of that debt discount over the life of the bond, so that is, I trust, a fairly accurate description of what debt discount is.

MR. HRYHORCZUK: Mr. Chairman, seeing that we're on public debt now and it seems to be a part of the particular estimates that we're considering, in this item of 2(b), Debt Redemption--it's under Public Debt that I'm talking now, Mr. Chairman. Could the First Minister give us some explanation just what that money is used for?

MR. ROBLIN: It happens to be an amount of debt that is repayable in the coming year, so we provide for it.

MR. HRYHORCZUK: I checked through the last few years on our estimates just this morning and I noted that, until this government took over, this particular item was just over \$2 million for several years prior to that. Now I see that it's reduced to \$1 million. Will that mean that we're redeeming our debt at half the pace that we were previous to 1958?

MR. ROBLIN: Sir, by statute we are instructed as to how we are to set up the items for sinking funds and matters of that sort, and we are strictly adhering to that statute which was passed before we came to office. There has been no change in our policy in that respect.

MR. HRYHORCZUK: Well that was just the point that made me make that query, Mr. Chairman. If this is a statutory provision, how come then that, with the additional debt that we have today, that payments on account of that debt are half of what they were prior to this government coming into power?

MR. ROBLIN: I think, Mr. Chairman, my honourable friend better look at 2(a), because it is in 2(a) that one sees reflected the sinking fund payments that are being made on account of that particular debt. There has been no change made in the procedure and a lot depends on when the debt was incurred and when it matures. If it is not maturing for a long time, then over the 20 year period of the life of it, or whatever period the sinking fund is set up for, one allocates each year sufficient to have the sinking fund at the right level called upon by the Statute

(Mr. Roblin, cont'd.) at the time when it , so that it may be say a 20 year wait until the sinking fund for that particular maturity happens to reach the level that is called for by the Statute.

MR. HRYHORCZUK: Mr. Chairman, if there is a minimum set and that you could exceed the minimum if you so cared to.

MR. ROBLIN: I think that's perfectly true, that one can retire the debt--one can change that if they want to, but what we have done is we have stuck to the requirements of the Statute, which I think are ample under the circumstances.

MR. CAMPBELL: Mr. Chairman, like the Honourable Member for Rhineland I am interested in the subject of debt, and I would like to ask the Provincial Treasurer if he could give us the latest figure as to the gross debt of the province and the net debt of the province. What time would--to the end of what month would the--

MR. ROBLIN: I think to the end of the 1961 calendar year would take care of most everything and be reasonably accurate.

MR. CAMPBELL: I quoted it the other day at well over a half a billion dollars. I noticed that the press has quoted it at more accurate statement than that. I don't know where they got their information. Has some information been issued to the press in this regard?

MR. ROBLIN: Mr. Chairman, it may well be that the department has given some information to the press. I do know that the department has been instructed to prepare this statement for the purposes of the budget speech, because it is our custom always to give a complete story on the public debt at that time--giving the latest figures. I do know that instructions have been given to the department to prepare that information because the House ought to have it.

MR. CAMPBELL: Now on the matter of public debt, I would appreciate having it so that we would know about what we are talking about--as accurate figures. The debt--gross debt to the end of the calendar year and the net debt with the self-sustaining enterprises subtracted, because that's a subject that my honourable friend and I don't see eye to eye on. As a matter of fact, when he spoke to the Honourable Member for Rhineland a little while ago about British Columbia, I was thinking he could have stayed a bit closer home than that.

MR. ROBLIN: They got me beat out there.

MR. CAMPBELL: Yes. Yes, but relatively speaking, I would say my honourable friend is not letting them get out of sight at all. Then in connection with the debt, and I also am dealing with Page 32 of the estimates, the item 1(a) is the interest on the public debt of the province and payments which may be required, necessary expenses and expenses incidental thereto, and it quotes the statute in that regard. Now that total is \$18,248,000--odd. I think I would be right in saying that that is the interest on the gross debt without any debt repayment or sinking fund contributions taken in. Is that correct?--(interjection)--When we're talking about gross debt, we now have an interest payment of \$18-1/4 million approximately. Now I looked up--my honourable friend knows that I have a particular affinity for the last year of the former administration because I suppose as long as I am around here that I will continue to make some comparisons, because my honourable friend makes them too--and looking at the Public Accounts for the year ending the 31st of March, 1958, I find that what I esteem to be the exactly similar item, that is the interest on the total debt, the gross debt, without any provision in it for sinking fund payments or debt retirement, as I see it--and we should check this figure--I make it to be \$6,394,000--odd. Now I don't expect my honourable friend to have those public accounts probably with him--he'll know why I selected that time--and if my rough figuring is right, that would mean that the gross interest payment has gone from \$6,394,000--odd to \$18,248,000--odd, or \$11,850,000--odd. Now I recognize that that's the gross interest payment and I recognize that the amounts contributed by the various self-sustaining utilities, etcetera, can properly be deducted from that, but--and we did that too, of course, in our time--but the fact is that it's the taxpayers of the Province of Manitoba that pay it all. They pay this one directly; they pay the Hydro through the Power Commission bills; they pay the telephone through the telephone rental. They pay them all, so even though my honourable friend by taking off the payments of those people, we still are faced with the fact that the interest rise, the total interest rise is something approaching \$12 million. Now that brings me back to a favourite theme of mine, where I like to quote the Honourable the First Minister when he said that "no matter what you call it, it's still debt" and it certainly is growing fast. The interest payment is growing fast; the amortization

(Mr. Campbell, cont'd.) of debt discount is now a sizeable figure, well over three-quarters of a million dollars by itself; and all in all, this is a page that I think requires a lot of consideration.

My honourable friend--the very first set of estimates that he drew did something that I have always referred to as "tricky bookkeeping". I think it was unjustified at the time; I still think it was a wrong procedure, because he managed to make, by a change in the bookkeeping system, to make the net debt payment appear to be almost non-existent. During a particularly interesting time in this province, right when there was an election on, my honourable friend indicated to the public there had actually been a reduction in the debt position in this province, a reduction from the preceding government. I would like him to figure out for me now what the percentage increase is in the net debt; what the percentage increase is in the net interest payment. I've tried to give the percentage increase in the gross interest payment. I'd like him to figure out, even if he takes these present figures of a net annual interest payment of \$3,665,000--odd, how many times that is greater than the net interest that he showed on the other occasion. That memory, of course, the honourable gentleman will think rankles with me. It does to a certain extent and, consequently, I would like to have somebody put down on record, as I am trying to do with regard to the debt here, just exactly what the situation is. How much has the debt increased--gross debt? How much has the net debt increased? How much has the gross interest payment increased? How much has the net payment increased? How many times is the present net interest payment what it was in the first estimates that my honourable friend put out?

MR. ROBLIN: Well, Mr. Chairman, I don't suppose that my honourable friend really expects me to supply him with a full answer at this time. I feel that he is quite capable of putting the facts on the record himself or no doubt will find an opportunity to do so. But I would like to make one or two comments on his statement. First of all, I think he does me an injustice. He said that during that election campaign I said that we had reduced the debt. I never made any such statement. What I was trying to show was that the debt we had was within our ability to take care of, and it still is as far as that goes, because when my honourable friend refers to the gross debt, and his figures are accurate, they're right here, he must ask himself a further question of how that debt got there and for what purpose. Well it got there because of the vote of this House. The government can't go out blind and willy-nilly putting on debt or borrowing money. It can only be done so if we can make a sufficiently convincing case to carry the judgment of the House, and let me say this, that in all the votes that have been put before this Chamber on capital supply, I can recall only one which did not receive the unanimous support of the House. Last year there was a vote in connection with the floodway in which the Honourable Member for Carillon and others decided that they weren't going to vote for it and they didn't, but that is the one and only occasion on which there has not been complete support in the House for the borrowing program of the present government. Now we don't rely on that fact because we realize it's our responsibility to account to the people of Manitoba for the money that's borrowed; the policies that lead to that borrowing; and for the debt structure that we have. We're not going to try and dodge that responsibility because we think we can make a sound case for it, but to say as my honourable friend, at least it seems to imply to me that this was over his dead body or the dead body of other members of his party, simply is not the fact. I don't think that on mature consideration that he would change one of his votes, because what was the money being voted for? Well, most of it as these figures clearly demonstrate, have been for the self-supporting enterprises in which we are engaged, like the telephones and the hydro and other things of that sort. Now my honourable friend is perfectly right when he says it doesn't make any difference, that that debt has got to be paid back one of these days. That's true, he's never said a truer word. I agree with that, but it so happens that these are in a sense commercial operations that carry themselves, and while they do inflate our figures and they could scare us to death if we don't take a realistic view of what the money was borrowed for, I don't think that if one does look at it from the point of view that I am stressing that it becomes an intolerable situation by any manner of means. So I would say to him that no government has the right to ignore the facts in connection with the debt that may be authorized by this Legislature, and we don't intend to try and do that, but we do think that a rational case can be made for the debt policy that has been followed and that, on the whole, it is in the public interest for us to do what we have done. So while I have no objection to my honourable friend placing any interpretation of the fact that he approves

(Mr. Roblin, cont'd) of on the record, I think that we're also able to give a pretty reasonable account of what we've been doing.

MR. CAMPBELL: Mr. Chairman, I did not intend to say, and I think I did not say that the Honourable gentleman said in that particular election campaign that they had reduced the debt. What I meant to say was that by the bookkeeping device that he employed, that he made it appear that the net debt payment was much lower than our corresponding payment the year before. That was advertised very definitely during that time, not that the debt had been reduced but the very fact that this net debt payment was lower than it had been the year before. What was the logical conclusion to be drawn from that? Now, that's the thing that I am wanting to remind my honourable friend of, and then when I've been talking about the growth in the debt, of course I am aware that we have supported the capital votes and, generally speaking, the current ones too. Quite frankly to use a politician's phrase, I view with greater alarm the growth in the current debt than in the capital debt.

MR. ROBLIN: The current expenditure.

MR. CAMPBELL: The current expenditure than the capital debt, because generally speaking I think the utilities for which the major amounts have been borrowed are capable of supporting them, but I am reminding my honourable friend of the fact that he lectured us from this side of the House that we were borrowing too much at the time when it was just a pretty small amount compared to today. My honourable friend likes to blame things of omission and commission on us, because he likes to say that one of the reasons that they have to spend so much money is that things were not done in our time. I want to remind him that he was warning us about debt when the debt was \$158 million or thereabouts and when the current capital supply appropriations indicated that it would be \$175 million the next year, and when my honourable friend wants to pose as a clairvoyant politician who foresaw all these things coming, I simply have to keep reminding him of what he said when he was on this side of the House, and I think that's fair. If he's going to remind us of what we did when we were on that side of the House, then I must remind him of what he did on this side of the House.

The quotation that he gives me credit for now as saying that regardless of what kind of debt it is it has to be paid, I don't deserve any credit for it -- that's not original with me, I am quoting my honourable friend. He was the one that waved these things at us over at that side, and proclaimed that obiter dicta we were being instructed in this matter, and so I simply remind him of his own words in this regard, and they're true -- they're true, Mr. Chairman. The fact is that we're getting both the capital debit and the current expenditure, the interest on the debt, we're getting them all up to such high figures that this particular province, if it had a let down in the economy, and I am not predicting one even under the administration of my honourable friend, but if it had, if we had another drought year, it would slow up the economy considerably. These debts, these interest payments can become very, very onerous on the Province of Manitoba. What the Honourable Member for Ethelbert-Plains said is perfectly true. We were paying off more of the debt than the statute required. I realize that my honourable friends are living up to the law, but we were going much beyond the law because we thought that it was right in good times -- a lot of those years were good times to reduce the debt -- because if you don't reduce it somewhat in the good times, when are you ever going to pay it off? Well I am not going to get into a lecture of that. My honourable friend has promised, I think, to put on the record here or give it to us so that we can put it on the record, because once again quite frankly, Mr. Chairman, I want to put it on the record in the honourable gentleman's words so that I can quote it back to him again, but I think on that occasion I'll be sitting over there quoting it back to him here.

MR. ROBLIN: Mr. Chairman, I have to admit that some of the advice that I gave to the honourable gentleman in days gone by wasn't very good advice, and I also have to admit that on the occasion to which he takes reference, he didn't pay any attention to it anyway, so I think that I must concede that he got the advice all right. I must concede that it wasn't very good advice and I also must concede that he paid no attention to it whatsoever. So I think that that's the situation on that particular point. The logical conclusion to the way in which the debt structure was set out, if we must re-thrash this old straw of course, is the conclusion that the province was able to stand further additions to its debt structure without any difficulty. That I think happens to be the fact. The way in which we set that out, if we must again refer to these old

(Mr. Roblin, cont'd) . . . matters was the way that was used by the Dominion Bureau of Statistics. We didn't invent it. It didn't come to us like a bolt from the blue or an inspiration. We just adopted the method that the Dominion Bureau of Statistics used then and use now for the statement of the public debt.

Now I also want to refer to another statement that my friend made, and that is his concern about the rise in current account, and it is true. I frankly must say it, because the facts don't brook contradiction. It is true that there has been a very considerable rise in current account over the last years, but what I am waiting for is for my honourable friend or some of his associates to propose some substantial reductions in current account. Let them tell us where they think these accounts should be cut if they think we're spending too much. That's one of the purposes of this committee and it is within the rules that members can propose reductions in expenditures. If my honourable friend has any suggestions in that connection, it will certainly be interesting to the committee.

MR. CAMPBELL: There is one other figure that I wanted to put on the record at this time, Mr. Chairman, and that was simply that as I read the \$18 1/4 million in round figures of gross interest related to the total budget, I would say that it's approximately 15% of the total, not 8%.

MR. ROBLIN: If you would make that figure stick, you would then have to add to the total budget the income and expenditures of the utilities that this debt supports, which are not in here.

MR. CAMPBELL: Not if my honourable friend is going to again take them off.

MR. SCHREYER: Mr. Chairman, in any discussion about debt, both net and gross debt in the province, I think that we can very easily get ourselves into a position where we are criticizing unfairly the provincial administration. I don't think any one of us here are particularly concerned about the increase in gross debt because of the fact that money is being put into productive use in the development of natural resources. Even though we're not concerned about that, there does seem to be some concern about the increase in debt in current accounts and I, for one, under certain conditions, certain periods in a cycle of an economy, am not too concerned about that either; and I hope that members will take me as being honest in that regard. In times when you have the economy of the nation going into somewhat of a decline, you have to make up for this by increased government expenditure in public works; and also, the government cannot afford to ignore the development of human resources, and that would mean going into somewhat more debt as far as current account is concerned.

Now even though the debt here in Manitoba has increased substantially, it has in most cases been for rather meritorious purposes, and to the extent that it has been rising almost too much, we must keep in mind that a lot of the problem, the debt here in Manitoba, has to do with the mismanagement that has taken place at the federal level, because it is the fiscal policies of the federal government that really dictates the kind of economic climate that we must as a province function in. If you consider the record of the government at Ottawa in matters of public debt, there you will see a lot to be alarmed about -- not here. Not here so much. We see the debt increasing from 14 billion -- odd in 1956 to somewhere in the neighbourhood of 16 1/4 billion today. That in itself doesn't tell you much of a story, Mr. Chairman, but the alarming part of it is the overall cost of servicing the debt. The interest rates have been driven up by an idiotic monetary policy that has been followed for the past three or four years. In the last five years alone the overall rate of interest on the public debt, according to Canadian Tax Foundation, has increased from 2.85% to 3.91, an increase of one and one fifth percent in four years -- a larger increase in four years than has taken place in the entire post-war period. Now I suppose some members will say that this increase in overall rate of interest is the result of increased government borrowing -- the massive government borrowing at the federal level. This isn't necessarily so, because if members will take the pains to investigate they will find that one of the reasons for the alarming increase in the interest rate, and therefore in the cost to the taxpayers of Manitoba as well as of Canada, we will find that for some strange reason the money supply in this country has been, by the powers that be, has been allowed to decrease -- and not just one or two percentage points. In 1950 the money supply, which includes currency and deposits, both demand and time deposits, has decreased from 48% of the gross national product to, today, where it is only 36 percent. Try and explain that. At a time when in order to keep the economy of our country

(Mr. Schreyer, cont'd) functioning in as healthy a manner as possible, instead of increasing the money supply in proportion to the increase in the G.N.P., we have allowed it to decrease and decrease substantially. It is therefore not surprising that the interest rate has been allowed to increase to such an extent. This is where all the criticism regarding public debt should be directed.

I don't think anyone here can say that this government has carelessly increased the debt burden on the people of this province. To a large extent a part of this has gone into resource development -- gross debt; a large part of it has gone into human resource development, though not nearly enough. That shouldn't be something we should be too concerned about, because unlike the time when the Member for Lakeside was in office, this is the time when the economy is not functioning by its own volition in as free-wheeling a way as it did six or seven years ago. Some government intervention and stimuli is needed, and this is the kind of policy that must be followed. What then remains for us in the opposition to direct our arrows at is the way in which the monetary policy as followed at Ottawa has allowed the interest charges rates to rise; the way in which the money supply has been allowed to decrease so substantially. On that score we should ask this government to protest to the federal authorities. Before I sit down, Mr. Chairman, I would like to

MR. CAMPBELL: Mr. Chairman, before the honourable member goes on to another point, might I ask him a question? I understood him to say that the federal government had allowed the money supply to decrease?

MR. SCHREYER: As the percentage of the G.N.P. Yes, that's right. Except for the last eight month period, when as the honourable member will know the Bank of Canada was authorized to issue more currency. But I have the statistics right here. Money supply per capita as a percent of the gross national product, 1949, 48 percent of the G.N.P.; 1960, 36 percent of the G.N.P. This restrictive action by omission has had, I submit, a fairly large effect on the interest rate rising. It has been one of the major causes, obviously. But before I sit down, Mr. Chairman, I would like to ask the First Minister, again dealing with Page 32, Public Debt, I would like to ask him if the items cited as 1 (b) (4), Other Loans and Investments, whether that would include the returns to the province on its sinking fund investments, that is the interest rate earnings on its sinking fund investments.

MR. ROBLIN: No, that does not include that. Those Other Loans and Investments are other things, such as the Water Supply Board and other self-liquidating projects.

MR. SCHREYER: Mr. Chairman, I would assume that the province maintains its sinking fund by investing in certain securities, etc., and therefore must be earning a return on this investment. Where would that show up?

MR. ROBLIN: Those returns are all shown in the Public Accounts under the sinking fund analysis. You'll see there the number of investments that are in the sinking fund. The way it works is that, if you want for example, to accumulate a thousand dollars at the end of 20 years, you make an investment, let us say, of \$4,000 at the beginning of that period and the interest that accumulates gives you your sinking fund total at the end of the time. The totals in the sinking fund and the bonds in the sinking fund, and other securities, are all listed in the Public Accounts.

MR. FROESE: Mr. Chairman, I'd like some clarification on Page 32, Item 3, the Amortization of Debt Discount. We have the figure given of \$1,001,208 less recoveries, which amount to \$210,758 leaving a net figure of \$790,450.00. That was for last year. For this year that figure is \$764,781.00. How is this figure arrived at? Is it on a diminishing basis, or will that be the same figure from now on?

MR. ROBLIN: No, it changes every year, Mr. Speaker, and it depends on the actual amount of amortized discount that we have to take into account.

MR. CHAIRMAN: Resolution 8 - Passed?

MR. MOLGAT: Mr. Chairman, while we are on the subject of public debt, I wonder if the Minister can give us a breakdown of that Item 1 (b) (4), Other Loans and Investments. What does it cover?

MR. ROBLIN: I can give the member that breakdown.

MR. MOLGAT: Mr. Chairman, on the same topic, I can understand that the Power Commission figures are out now, that being absorbed by the Hydro. I'm surprised, however, to see

(Mr. Molgat, cont'd) . . . that the combined total of Power Commission and Hydro is less in '62-'63 than it was in '61-'62. Now it seems to me that really our investments in those two fields has been going up very substantially with Grand Rapids at present in process. I don't quite understand how our interest charges can be going down.

MR. ROBLIN: They're about the same, I think my honourable friend will find.

MR. MOLGAT: A couple of hundred thousand down, are they not? 6.1 million this coming year, and if you total the other it comes to 6.3 million doesn't it? Now the change isn't great, but I'm surprised that it's a decrease when really what we're doing at the moment is investing very heavily in our power resources.

MR. ROBLIN: I haven't got an answer to that.

MR. CHAIRMAN: Resolution 8 - Passed?

MR. MOLGAT: Could we obtain an answer to that then, Mr. Chairman, and also the breakdown on (4) ?

MR. ROBLIN: Yes, we'll have that very soon.

MR. MOLGAT: On other subjects, Mr. Chairman, in the past year or two there have been at least two conferences, I understand, of Canadian Premiers. This was a new development and my understanding is that some of the discussions there were on tax matters. I wonder if the Premier has anything to report on these two meetings?

MR. ROBLIN: Mr. Chairman, I think that if the honourable member had wished to raise this he should have done so on the Premier's salary. However, had he done so, I would have given him the answer that I'll give him now, namely, that I can't make any comment upon that because the proceedings are confidential.

MR. MOLGAT: Mr. Chairman, I really think this is proper under Treasury because my understanding was that the First Minister was there at least partly on Treasury matters, because some of the clippings that I saw indicated that the Deputy Provincial Treasurer was there with him, and this seems to me to be directly connected with Treasury. At that time one of the clippings that I saw was that the collections of sales taxes was discussed. I wonder if this indicated that my honourable friend was thinking of entering the sales tax deal.

MR. ROBLIN: I'm sure my honourable friend will have to wait for the Budget Speech to hear what my views on that are, but I must -- I want to deal seriously with his point, and that is that the Deputy Treasurer, I think, did attend me on one conference but I think he did so in a more general character. I really do think the proper place to bring it up was the place I've indicated, but I must confess that I am not able to give any information to my honourable friend because it's generally agreed that what goes on there is confidential discussion. It's not a formal meeting of any kind; there are no communiques issued except rather a bland one that discussions proceeded amicably or something of that sort, but we don't go into detail as to what was discussed in those conferences. Personally, I have no real reason, no real desire to make a secret of it, but it just is the agreement there and I think I'd better stick to it.

MR. MOLGAT: Well if that's the agreement with other provinces, Mr. Chairman, I won't pursue the question further. I am very much interested in the subject however. It seems to me that one of the things that we have to do in Canada is a substantial re-organization of our tax structure. I think it's based on circumstances that existed many years ago; that we have had a complete change in our economic structure in this country and that if we're going to have the type of development that we want to see across Canada; if we are going to see development in Manitoba in particular, that we cannot continue the same tax policies necessarily that have been carried on in the past. The work, for example, of the Canadian Tax Foundation is something that I hope this government is following very closely. The reports from their meeting this fall certainly gave cause for concern in the field of income tax, for example now. Until this year this government was not involved in income tax, now they are. Have they been following the work of the tax foundation in this regard? I am referring specifically to the fall meeting where people like Dr. A. K. Eaton who was a former Assistant Deputy Minister of Finance; Mr. Howard Stikeman who is also a former Assistant Deputy Minister of Finance; the Vice-President of Imperial Oil and so on, who were then indicating that our present income tax structure is in their opinion, very reactionary. In fact the statement was that the Canadian Income Tax law as now framed is slowing down Canada's growth. The speaker said that it dries up supplies of investment money; it discourages Canadians from investing in Canadian projects; it prevents

(Mr. Molgat, cont'd) . . . the creation of new jobs. They state that the high rates was driving people to seek ways of legal tax avoidance which may get into unethical or even illegal grounds and is otherwise a hodge podge which frequently in trying to get at the guilty hurts the innocent. Of course one of the specific recommendations of Dr. Eaton was that there should be no graduated tax. Now I know that in the normal terms which we consider income tax this is probably not immediately acceptable to us. However there is a gentleman who certainly has had the opportunity to have the background of the situation, and should know what he is talking about, making this specific recommendation.

Now all of this is of vital importance to us. As our country is getting more advanced economically; as our problems themselves are growing; these meetings that my honourable friend has been going to are most important. They should be followed through and more work should be put into them, but we're hopeful that some specific propositions will come out of them -- of first of all a simplification of the Canadian tax structure so that we don't run into a situation where there are great varying methods of taxation and rates of taxation, if possible, between all the various provinces; and then, of course, a re-organization of the tax structure so as to provide an adequate breakdown, distribution between the various levels of government. Now unless this is gone into very soon, I fear that our whole economy will suffer as a result of it and that was the reason for my asking the questions of the Treasurer about these conferences. Are they really achieving this? Or are they not? Now I can appreciate he can't give me details, but I would be interested in knowing if some work is being done in this regard; secondly, whether this government is following the discussions and the work of the Canadian Tax Foundation. Thirdly, are they making recommendation to Ottawa in this field?

MR. ROBLIN: Mr. Chairman, my honourable friend has opened a very wide spread subject and perhaps I might begin what I have to say by observing that the income tax law has been with us a long, long time; and may I also say that the present structure of the Income Tax Act, I think may be thoroughly ascribed to various Liberal Governments that have been in Ottawa during the past years. I dare say some Conservative Governments that have been in there have had something to do with it too. As a matter of fact it started out in 1917 with the Union Government as a war income tax measure, but like some other taxes it's still with us. So I think that all of us can share some responsibility and can share some concern for the Canadian tax structure. I, myself agree with a good deal of what Dr. Eaton has said and what Mr. Stikeman has said, both of whom I have the pleasure of knowing quite well, particularly Mr. Stikeman, and they make a good deal of sense.

I think one of the things that we have to consider, and I can't really prescribe specific for this, but I think we have to consider the rate of progression in the income tax scale which is very steep. Now that rate of progression might have been quite acceptable in the days when \$10,000 was a lot of money for anyone to make -- and very few people made any more, but in these days when incomes are on the average, twice what they were, when these scales were developed, it seems to me that the rate of progression may very well be steeper than a fair assessment of the situation would justify and that's a subject which should be examined. Now when one talks about income tax and corporation tax and says that it's all wrong, I think we may agree that it could be, perhaps the income tax could be looked at from a point of view of progression, but when one gives the impression as some do -- and I'm not sure whether the Honourable the Leader of the Opposition is included in this -- that these taxes in themselves, the total amount of money they raise, for example, is too high, then one is duty bound to offer a substitute, and I am waiting to hear -- I don't say this by way of a challenge to my honourable friend, because there's plenty in the same situation -- I am waiting to hear someone who says income tax is too high and corporation tax is too high, to say where they are going to get the money from. Some people say there should be a capital gains tax. That would be the position taken by the CCF. Maybe -- but I think the effect of a capital gains tax on incentive and development would be just as serious and perhaps more so, than the present situation we have from income tax, so I wonder if we're leaping from the frying pan into the fire.

Now, Mr. Chairman, I make these observations in the full knowledge that I don't think any member of this House has got any really all inclusive answers to this question -- I don't think I have -- but I do agree with my honourable friend, the Leader of the Opposition, that it's a subject well worth looking into. I think I am correct in saying that although the Royal Commission

(Mr. Roblin, cont'd.) on Banking and Finance does not really take this into their ambit, we're going to try and bootleg it in, if we can; because we would like to leave the idea with the Royal Commission, that this question of the tax structure of the nation is something that could well call for further study. Now the suggestion has been made in some quarters that another Royal Commission would be required to do the job. I know that some of us have a reluctance for too many royal commissions, but I think this is one that we might be able to stand, because the subject is so involved, so complicated that very few people who are not really expert in it understand the consequences of some of the things they propose, so that it is a matter that required the most expert study. So I think that I would agree with my honourable friend in his expression of uneasiness or dissatisfaction with the present tax structure in the country and the suggestion that it should be well looked into to see what we can do better. I think I would agree with those sentiments and I think I'm right in saying that in the Royal Commission brief that we are preparing, this matter is being considered. The brief hasn't reached the stage where I can be positive about what's in it or what isn't, but this is one of the subjects for study, let us say, that our people are engaged in in preparing for it and we have to see what they come up with before we can state positively that it's in the brief; but it is a matter which, if not considered by this royal commission, certainly ought to be taken into account by somebody else.

MR. G. MOLGAT: Mr. Chairman, I thank the Minister for his statement. My comments were not being strictly critical of the present rates or the method; I'm just concerned about whether we are heading in the right direction. I'm particularly concerned when I see various provinces imposing new types of taxation or increasing the ones that they have and this growing complexity in our whole tax structure when I think that the reverse should be the process, if it's at all feasible. I think that in the long run this is extremely important to Canadian development and anything that can be done to simplify this -- to get various levels of government co-operating on this and various provinces working together, I think will be to the benefit of our whole economy.

Mr. Chairman, my honourable friend isn't prepared to tell me yet whether he is imposing any sales tax or not, so this particular item then is of some importance to us possibly. This is a newspaper report, Winnipeg Tribune on the 9th of February indicating that the federal government intends to bring in legislation to require Federal Crown Corporations to pay certain provincial taxes and fees. This is to be introduced at this current session. I don't know if it's been introduced yet or not. It said that it would become effective April 1st, the next federal fiscal year, and they indicated there that most crown corporations are exempt from provincial sales taxes. On the other hand, provincial crown corporations and agencies have to pay federal sales taxes. So officials said the legislation is designed to overcome this anomaly; in other words, that the federal crown corporations will start paying provincial sales taxes where they exist. Well, what happens in the case of a province like the Province of Manitoba, where at the moment at least, until my honourable friend divulges what he intends to do, at the moment at least, there is no sales tax. Will we be getting some compensatory payment from the federal government?

MR. ROBLIN: Mr. Chairman, I think I can say that the situation that has been outlined is the situation that exists as far as we're concerned and that there is going to be, in matters of substance, no change in the proposition. We have always maintained here that if we're expected to pay any federal tax as far as crown corporations are concerned, that the federal government should pay our gasoline taxes and other taxes of that sort. In my opinion, Mr. Chairman, the gasoline tax is a sales tax. I think that if anyone cared to pursue the matter from a legal point of view before the Supreme Court we might very well get that decision, but by mutual agreement people seem to be content to regard it as an indirect tax when perhaps its claim to that status is a little questionable. But I would point out that what my honourable friend is talking about is the crown corporations. The provincial government as such does not pay federal sales taxes or other, nor will the federal government as such. It's a matter of crown corporations only. So we trade off our crown corporations here with the Atomic Development people that are in the Whiteshell and other people of that sort.

MR. MOLGAT: Presumably under this arrangement other provinces will be getting certain sums from Ottawa now. Was the provincial government of Manitoba consulted before Ottawa prepared this change?

MR. ROBLIN: Well, Mr. Chairman, if my honourable friend is saying that we should

(Mr. Roblin, cont'd.) impose a sales tax in order to be able to collect it from the federal government I am afraid that I won't be able to go along with him. Whatever taxes we impose will be payable by Federal Crown Corporations; that's the long and short of it and it depends on our tax structure as to what taxes they pay.

MR. MOLGAT: I'm not suggesting for a moment that you should impose a sales tax, but the situation is this: Your Crown Corporations -- our crown corporations in Manitoba pays a Federal Sales Tax presumably. Is that correct? -- (Interjection) -- All right. Now seeing that we have no sales tax in the province we will be collecting nothing from the Federal Crown Corporations, so we'll be paying out more on the one side and not collecting from them on the other. Now if Ottawa is making such a change I think they should consult with us, because by relationship to other provinces, we will be in an inferior position.

MR. ROBLIN: Mr. Chairman, if my honourable friend had been following the course of events he would know that this matter has been brought up twice now at the Dominion-Provincial Conferences. This government took the point of view that we would rather have the Crown Corporations tax free on both sides. That's the position that we put forward and that is the position that we would like to see adopted, but as far as the merits of the case from the point of view of other provinces and of the federal government were against us, so the majority opinion was that both crown corporations should pay taxes, rather than that they should not. That was not our position. We would prefer to have no taxes levied on crown corporations, but that's not the majority opinion in the country.

MR. MOLGAT: the net costs to Manitoba then, when this starts off.

MR. ROBLIN: I don't think so. It's the situation that we have now. It's a net cost in the other provinces.

MR. MOLGAT: Well, I don't see how. If our crown corporations will be paying higher federal taxes and theirs will be paying no higher federal taxes than Manitoba, then surely we are net loser.

MR. ROBLIN: Crown corporations will be paying the same federal tax they have always been paying.

MR. MOLGAT: But the federal, seeing as we have no sales tax, they will be paying nothing to us.

MR. ROBLIN: They won't pay us a cent.

MR. MOLGAT: So by comparison to Saskatchewan or Ontario we won't be as well off.

MR. ROBLIN: Well, I am disinclined to put in a sales tax for that reason. Why not just take the facts as they are?

MR. MOLGAT: I am not suggesting you should, but Ottawa should give consideration to a compensation of some kind in that case.

MR. CHAIRMAN: Resolution 8 -- passed?

MR. MOLGAT: Mr. Chairman, I think there is still some information to come from the Minister on Resolution 8, some information on the discussion we had earlier this evening. I suggest that that be left open, then we can proceed when we get the information to clear it.

MR. ROBLIN: What information am I supposed to speak on?

MR. MOLGAT: Well, you wanted me to put an Order for Return first of all, then we agreed that I would do it by

MR. ROBLIN: No, I just said that if it's a question to do with the capital debt structure, that can be debated when we get to

MR. MOLGAT: No, it's a question to do with the savings bond.

MR. ROBLIN: That's the same thing, it's capital debt.

MR. MOLGAT: Well, if you want capital debt. We had agreed earlier that I would submit a written question to you, not an Order for Return but a written question, so that we could continue and discuss it if there's anything rising out of it. Seeing it's on this item I would suggest that the item be left open.

MR. ROBLIN: I have no objection to that Sir, providing we can have an understanding that that won't be used to revive the whole debate again. Provided we can have an understanding that if it's left open we'll restrict ourselves to discussing the matters that are contained in the information, if that's understood, then there's no objection from this side of the House.

MR. MOLGAT: My interest is strictly the savings bonds. I have no intention of going into the other items.

MR. CHAIRMAN: Resolution 9. Item 2 -- Taxation Branch.

MR. PAULLEY: Mr. Chairman, in connection with this item, I would like to direct one or two questions to the Provincial Treasurer. I presume that this is the department that is responsible for the collection of Gasoline Users Tax and Motor Vehicle Users Taxes, and also this would be the item under which we should have a discussion on the Provincial Income Tax that we're in at the present time. Now recently . . .

MR. ROBLIN: That does not come under this section. --(Interjection)-- Well we don't collect it though. Ottawa collects it.

MR. PAULLEY: It's all related -- at least I think it is. Recently there has been a considerable amount of publicity, Mr. Chairman, as to evasion of the payment of proper gasoline taxes, where some persons apparently are obtaining gasoline ostensibly for purposes of boating -- I believe at the two cent per gallon rate -- and using it for other purposes. Also, there has been some suggestions through the media of the press that, in the agricultural industry, evasions are occurring. Now my questions to the Minister: Could he give us an outline as to any investigation that has been made in the taxation branch as to how much, if any, of this is going on, and what steps the department takes in order to offset or prevent any abuses. It does seem to me that due to the fact of the differences in taxation, and there may be justifications for the exemptions -- I am thinking particularly in the agricultural field -- legitimate reasons as to why there should be exemptions. I would like to hear an outline from the Provincial Treasurer as to what steps the department takes in order to try and curtail any abuse caused as the result of the different rates of taxation, and any information that he can give to us in this respect.

Now I mentioned the fact of Provincial Income Tax. It was my understanding, and in this I may be wrong, but it was my understanding that when the Prime Minister of Canada was discussing the question of a provincial income tax, or the change of the system into a collection agreement rather than the old rental agreement, that one of the basic reasons that he proposed this was that the provincial authorities who were levying these income taxes would be charged with the responsibility of showing that they were making this imposition on the people within the boundaries of the respective provinces. I would suggest that the reasons were obvious as to why he made this suggestion, in order to indicate that the amounts levied on the income tax basis at the federal level were actually lesser than the appearing picture was at that particular time. Now then at the present time, to my knowledge nobody in Manitoba who is being deducted for income tax purposes from their pay cheques, be it weekly, bi-weekly, or monthly, know exactly how much money in income tax is accruing to the Provincial Treasurer. I know as far as the men in the railway were concerned, as soon as they received their first cheque for this year 1962, it was noted that their payments or deductions rather for income tax increased over what they were the year before, but there's no indication as to how much of this is coming into the Provincial Treasury of Manitoba. When we were discussing the legislation at our special session the First Minister indicated to us that the amounts of money that he was going to collect, or the province was going to collect in respect of income tax was going to be used for the purposes of revenue for the hospital scheme. I know we had quite a bit of discussion before we finally, without it being in the legislation, before we got a commitment from the Minister, which is recorded in Hansard, that this was the purpose of the provincial income tax, but I suggest today, Mr. Chairman, that nobody knows. It's true there is the item in the estimates, we only find that when we look into the Department of Health, of some ten million-odd dollars -- or rather let me put it -- rather there's an increase of \$3 million that used to come out of general revenue to \$10 million now, roughly speaking, indicating the probability, just using these figures, that through the media of income tax the income tax payer in Manitoba will be making a contribution of some seven million-odd dollars. I think this is the figure which the Provincial Treasurer used roughly in our deliberations at the special session, how much additional revenue he expected to be raised with the result of the income tax. I think it's a most unfortunate situation as far as the taxpayer of Manitoba is concerned, in that he doesn't know how much of his tax dollar is going to the Province of Manitoba as a result of the new arrangements and as a result of this because of the fact that the money is presumably earmarked for that of hospitalization, he's at a loss to know how much actually he is paying in respect of hospitalization. We know that we have the monthly premiums of \$2.00 or \$4.00, but we don't know as a result of the income tax how much additional that this is costing. As I said at the outset, Mr. Chairman, it was my understanding that one

(Mr. Pauley, cont'd)of the reasons given by the Right Honourable John Diefenbaker in setting up this new agreement, that here would be evidence of the amount of monies that are being collected by the provinces as against it all being lumped as it formerly was as income tax accruing to the federal authorities. I think this is most important, and while I appreciate the fact that the revenue will not be forthcoming until the 1st of April, on an actual basis the fact that deductions are commenced at the 1st of January of this year, I am sure the answer to this question would be interesting to the people who are paying now to the Provincial Treasury.

MR. CHAIRMAN: Are there any other points on taxes?

MR. SHOEMAKER: Mr. Chairman, I have been informed that several farmers, on making application for their tax rebate, have received a letter stating that they have used too much gasoline in comparison to the number of acres they farm. I am interested in knowing, when is too much too much? That is, what are they allowed per acre ; and what is the basis upon the number of gallons of gasoline that can be used on a given number of acres?

MR. DESJARDINS: Mr. Chairman, is it the intention of the Minister to grant the request of the Metro Government and dispense with their paying of the gasoline tax on their bus used in their public transportation system?

MR. ROBLIN: Mr. Chairman, if there are no further questions on taxation I'll deal with them in reverse order. For the Honourable Member for St. Boniface, there is no plan to rebate the Metro Corporation for gasoline tax. Secondly, with respect to the Honourable Member for Gladstone-Neepawa, let me say there has been no change of any substance in the way in which we calculate the rebate to which farmers are entitled since we came into office. It's the same system as operated before. The system is roughly this, that we ask the farmer to report to us the type of machinery that he operates, his acreage and various matters of that sort. From this the department make a calculation of what would be a normal expenditure for gasoline consumption to do the kind of work that would be done in the farming operation referred to. That gives us a norm. If he's below that norm, then that's a pretty fair indication that he's in order. If he's above that norm, then it calls for an explanation.

Now this bears on the point that the Honourable Leader of the CCF Party said because he wants to know about this question of tax evasion, and I think it is an excellent point that we should discuss here. I have in front of me, and I daresay other members of the House got it too because it was addressed to all members of the Legislature, a two-page missive prepared by the Managing Director of the Automotive Trades Association, in which he makes a number of rather serious charges about gasoline evasion, and seems to indicate to me that the farmers are receiving a consideration which they are not entitled to. He really seems to indicate, although I don't want to put words in his mouth, he left me with the impression that he thinks that most of the farmers of Manitoba are cheating in respect of this. It really is quite a heavy attack on this whole business of this special exemption for agriculture. Well I'd like to say that we have on many occasions, several occasions, invited this gentleman, and the organization that he represents, to give us any examples where he thinks misrepresentation in respect of this matter has taken place, with the undertaking that we would investigate them very carefully indeed. We have had no such examples given to us and it's very difficult to trace down law-breakers if you can't identify who the suspects are. These are the people making the charges. We suggest they're the people who ought perhaps to be telling us who they suspect of breaking the law, so that we can get on the job.

Now it would be a sort of pollyanna-ish to assume, what I mean -- by looking on the bright side -- perhaps that's a little clearer -- you'd be looking on the bright side to assume that nobody misrepresents the deductions that they claim for gasoline. Not only is that looking on the bright side but it also would be untrue, because our Tax Department do find a good number of people whose claims they think are excessive. They then examine these on an individual basis and arrange for some explanation, or if no proper explanation can be given, the claim is not allowed. So that we do undertake to check where we can, and we have what I think is a fairly effective system of checking each individual return and this has been going on in the province for some time.

In addition to that, this year we made some spot checks of the information that had been given to us, unannounced and unexpected in a number of places. I wouldn't maintain that these spot checks, where done so far, is a sufficiently wide sample to make me positive of the result, but the spot checks to date confirm that most of the people who are submitting these applications

(Mr. Roblin, cont'd) . . . for gas refunds are doing so honestly. There's room for a legitimate difference of opinion sometimes, but most of them are doing so, we think, honestly. As I say, we have asked other people if they suspect there are dishonest people in this respect that we haven't caught, and we catch a certain proportion, then if they'll let us know we will be glad to check into it and see what the facts are. I must say that I'm a little bit disappointed that the gentleman who's doing all the complaining hasn't given us anything to go on to satisfy his complaints, because it's impossible to make up your mind whether his complaint is justified or not on a widespread basis if he doesn't give you a little evidence that you can go on. So much for the matter of the gasoline evasion.

MR. PAULLEY: Mr. Chairman, if I may just before the Provincial Treasurer leaves this particular point. He mentions that there have been check-ups and some have been apparently caught. Can he give us an indication of how many have been brought to justice, or in connection with this?

MR. ROBLIN: I don't think I have that information here at the present time. I think I can give this information. For example, in the last year 1960, April 1st, 1960 to March 31st, 1961, amounts claimed were \$5,887,000 in round terms. The applications which we paid were \$5,780,000 so something over \$100,000 in claims, if my understanding of these figures are correct and I think they are, were not allowed. So that gives some indication of the point.

MR. PAULLEY: But you didn't answer my question, Mr. Chairman. I'd like to know how many people have been summoned as the result of an attempted evasion?

MR. ROBLIN: Well, I can say that in that same year there were 73,428 applications for a refund and the number granted was 71,532. Now that may not give the full picture because some of the people who made application may have had part allowed and part disallowed, but that gives the indication of the number of applications made and the number of applications actually paid.

MR. PAULLEY: That's not the answer that I want, Mr. Chairman. I want to know how many people -- the First Minister the Treasurer mentioned that some people have been caught apparently in trying to evade the law and using gasoline for purposes other than for the amount of taxation that they paid on the gallonage. I'd like to know . . .

MR. ROBLIN: How many people went to gaol?

MR. PAULLEY: Well not necessarily go to gaol. How many were fined? I want to know how many people were summoned as a result; or how many people were prosecuted as the result of attempted evasion of the Motor Vehicle Users Tax or The Gasoline Tax Act?

MR. ROBLIN: Well, of course, you don't charge any. It's just like under The Income Tax Act. If you submit your Income Tax form and you may claim an income tax say of \$500, but when the Income Tax Department gets through looking over your form, they think you've made it out incorrectly. You didn't put in something you should have put in, or you made the wrong calculation. They say you don't owe us \$500, you owe us \$600.00. What happens is that you pay up but you don't go to gaol and you're not charged --(interjection). Well, that's true. You can do it if persistent or criminal negligence, or criminal activity is disclosed when a person compiles their income tax. But the vast majority of people whose income tax assessments are changed, after the assessment is made that's the end of it. They pay their tax and that is what is is, so this works on the same basis. We don't have any prosecutions of which we would tell our honourable friend because, when checked by the department, the man's figures are put right and his calculation was changed. It's extremely difficult and quite another thing to prove that he has deliberately or with malice aforethought falsified the claim in order to get a larger tax exemption, because in most cases it can be shown that it's the kind of mistake that might easily be made, and to prove criminal intent is something else altogether.

MR. PAULLEY: Do I understand from my honourable friend then, Mr. Chairman, that nobody has been prosecuted as a result of -- for instance, using 2¢ gasoline in an automobile?

MR. ROBLIN: . . . That's the case. No prosecutions have come to my notice. That's not say that offenders have not been brought to book in the sense that their claims were disallowed. I think that's the way the thing has been going on for a good long time. Now let me refer to . .

MR. PAULLEY: Mr. Chairman, might I just pursue this a little bit further?

MR. ROBLIN: Just a minute now, let me finish my statement and then perhaps you can give me your further questions afterwards.

Let me just pursue the question of the Tax Collection Agreement. Now of course it is

(Mr. Roblin, cont'd) ... perfectly true that the provinces now have to declare their income tax rate on their own initiative, and that was done at the Special Session that we had last year, so to that extent the point that we are asked to declare our own income tax is well taken. That is what we have to do. Now my friends says that the person who pays on the installments and payroll deduction doesn't know about this. Well, we have to remember that up until the present time the ordinary income taxpayer never has known what proportion of his income tax goes to the Provincial Government.

MR. PAULLEY: Didn't have it before.

MR. ROBLIN: Oh yes, because at the end of the year when he fills out his income tax form, that's when the final calculation of the tax is done, that's when an individual knows what his tax is going to be and who gets it. It has been in one lump sum which went down to Ottawa and was then divided between the province and the federal government. Now when he gets his income tax form under the new system he will find a special line in it. He'll work out his tax in the old way and he will come to the second last line, so to speak, which will say: Dominion Income Tax so much and then he'll come to another line which will say: Provincial Income Tax so much. So for the first time he will know, for the first time in recent years, he will know what he pays to the federal government and what he pays to the Provincial Government in terms of income tax. It's not possible I suppose for administrative reasons to show this on the current forms because nobody knows what his tax is. It's just an estimate of what he's going to ultimately have to pay. He may have other kinds of income that are not included in the payroll deduction that have to be taken into account before his final tax return is made up. But nowadays when he gets his final tax form he has to fill up on which he can claim credit for all the deductions that have been made, there will be a separate identification of the part that goes to Ottawa and the part that comes here.

MR. PAULLEY be interesting, Mr. Chairman, but how is the individual concerned going to know if he doesn't know progressively as to the amount of tax that he's paying federal-wise or provincial-wise, because it's all lumped in at the present time. While the First Minister may be perfectly correct, when next March or April we're filling out our income tax forms in respect of earnings in the current year 1962, we can arrive at the total amount for federal and provincial, but how are we going to know under the present system of things how much we have paid provincial-wise; how much we have paid federal-wise; if it's all lumped together -- if it's not separated. Now, as far as I understand, with the previous arrangement in respect of the Province of Quebec -- they weren't in the Tax-Rental Agreement -- they did levy a provincial income tax of, if I recall correctly, somewhere in 15 percent of the federal tax; and it was shown on the payroll deductions as a separate item. If we're not going to show it on a separate item how will anybody know, when they're dealing with a lump sum at the end of the year, to whom they should direct the request for a refund? It's all been taken off in one lump sum without any breakdown.

MR. ROBLIN: My honourable friend has missed the whole point of the collection agreements if he makes a statement like that. If we want to have the separate item shown, and if he wants to pay his tax separately to the province as opposed to the Dominion, then we don't go into a collection agreement. We set up all the machinery, and all the expense and all the bother of having our own collection department -- just as they do in the Province of Quebec.

MR. PAULLEY: I'm not suggesting that.

MR. ROBLIN: Well I know, but I'm trying to explain it to you. That's the way they do it in the Province of Quebec. They have their own department entirely. They have their own forms and it's quite a separate transaction. Under the arrangement we have now, the Federal Government collects our tax for us and they just use the one form for the payroll deduction, and it's not possible to give that split at the present time. The only way you can give the split is if the province wants to do its collecting for itself. At the end of the year he figures out his total tax, and that includes the split on that occasion. But supposing he wants a refund -- he doesn't have to worry about dealing with the province. All he does is what he's always done. He sends in his completed form to the Inspector of Income Tax over here on York Avenue and any complaints, adjustments or dealings in respect of that income tax form are handled just as they are now. He deals just with the one person. The only way we come into it is we have one special line on the bottom of the form when it's filled out at the end of the year, and that's the only identification

(Mr. Roblin, cont'd) that there is with us in respect of that matter. The federal government continues to collect it and administer it in all details and, as I've said before, sends us a monthly payment on account.

MR. PAULLEY: Mr. Chairman, does not the Provincial Treasurer, through the regulations, instruct the employers of the Province of Manitoba as to the amount that they had to deduct from the pay cheques of the wage earner here in the Province of Manitoba? Did I not see in the Gazette a list of the regulations as to the percentage of income, percentage of income tax in relation to wages, in a directive to the employers of Manitoba as to what they had to take from the salaries, wages of their employees, month by month commencing the first of January? I think I saw that. And if that is so, then my honourable friend must have given instructions as to the actual amount.

MR. ROBLIN: I don't know what my honourable friend saw in the Manitoba Gazette, but I can tell him this, that all the operations in connection with the Income Tax are actually in physical fact carried out by Ottawa. Now we may have to amend our laws; prepare regulations and go through certain formalities in connection with it in order to observe the constitutional proprieties here; but in fact all the handlings and all the dealings come in the same way they have always done, through the Federal Income Tax Department. We do not get into that at all.

MR. HRYHORCZUK: Mr. Chairman, do employers deduct provincial income tax from the cheques that they issue to their employees?

MR. ROBLIN: As far as I am concerned, Sir, they deduct the one sum that they pay into the federal government at Ottawa. That includes the federal and the provincial tax.

MR. HRYHORCZUK: At the end of the year when you get your T-5 or T-1 slips or whatever they are, will the slip show the amount of tax deducted for provincial income tax purposes and the amount deducted for federal income tax purposes?

MR. ROBLIN: The slips will show the total amount deducted only. They will not show the split. The split is ascertained when the income taxpayer makes out his form. That's when he calculates the amount that goes to this government.

MR. HRYHORCZUK: The man that's making the income tax return will have to figure out how much he owes the Dominion Government; how much he owes the Provincial Government; then when his T-slip shows the total that he comes to, he's paid both. But supposing now, according to his calculations, he has paid less. Then where does he show the payment, the balance as being payable to the Federal Government or the Provincial Government? How is he going to know who he owes that to?

MR. ROBLIN: You know when you make out an income tax form, as I am sure some honourable members have done, there must be -- I don't know, 20 or 30 lines on it I should say -- and in making out this form you go through a very involved calculation, don't you? You don't take any line by itself and you don't need to refer to a line by itself. It's the sum total at the end that counts, isn't it? And it's the sum total at the end which tells you whether you paid more or whether you paid less, and what your reaction should be from that. It's precisely the same thing now as it was before, except there's another line on there and it simply says that in making the final calculation federal tax is so much, the provincial tax is shown as a percentage of the federal tax. You add the two together and that's your final figure. Now if the final figure comes to more or less than you have already paid, then you know what to do. If it's more you send in your form to the Inspector of Income Tax and ask him for a refund. You don't have to ask him whether it's for the provincial or the federal, it's the net sum that you're worried about, and he'll send you the money back if you have done your sums properly. On the other hand, if you find that you haven't paid in enough and you owe some more, you don't worry about whether it's the province or the federal government, you just simply pay. You note the net sum at the bottom and that's the one you have to take into account. I don't think that there is any complication that the ordinary income taxpayer has to worry about that he didn't already have before. There were plenty before. They are still there and he still has the forms. The only difference is this extra line which calculates the provincial tax, and that is the only way in which he finds out what the split is. As far as dealing with this matter is concerned, he doesn't have to give the provincial collection system a thought. He still deals with the federal people just as he does now.

MR. PAULLEY: Yes, Mr. Chairman, but I want to know as a taxpayer how much I am actually giving to the provincial authority and how much I am giving to the federal authority. It's perfectly true, as my honourable friend mentioned, in a final computation of the overall total amount we arrive at X numbers of dollars, but unless we know at the time of the collection and the source of the collection -- even if we do it as the Honourable Member for Ethelbert-Plains -- if on our eventual TD-4 forms it's indicated to us from our employer, which includes of course the Government of Manitoba, there is a breakdown of the deduction, that's well and good. But if we just operate as my honourable friend the Provincial Treasurer says, that we arrive at the final and we don't have to concern ourselves, we know we've got to pay X number of dollars for our total income -- and what difference does it make? I suggest it makes a tremendous difference. I want to know how much on the overall income that I have, the percentage that I do make to the provincial authority or the federal; but I also want to know how much has been collected in respect of each, and unless we're told on our payroll deduction slips or some other method, we'll never know.

MR. HILLHOUSE: We'll all know by the 30th of April ...

MR. PAULLEY: No we won't.

MR. DOW: Mr. Chairman, I was interested in the figures the Honourable the Minister of Treasury gave in regard to the claims and claims not allowed. I think he gave -- there was \$100,000 of monies that were not allowed on the claims made, but the question I would like to ask is, has the Department of Taxation under the gasoline tax got a total amount of money that is possible, that could be claimed by farmers, and in the past one or two or three years, or more if he wishes to take, how much money has the farmer paid in gasoline tax to the Province of Manitoba that he has not claimed for? It seems to me that I've seen figures, whether they can be substantiated or not, of quite a substantial amount. I understand that the taxation office have a very complete control of the farmer's purchase. They know exactly how much gasoline each farmer has paid and paid tax on. I'd be interested to know how much money the Province of Manitoba has, of monies paid by farmers for gasoline tax for use of agricultural purposes, that they have not claimed for. Mr. Chairman, would it be possible that the Honourable Minister might try and find out?

MR. ROBLIN: but my information is that the figure is just not available. We don't keep them.

MR. WAGNER: Mr. Chairman, I am a little bit surprised at the gentleman that presented a two-page brief. I just wonder if that certain party realizes what the farmer goes through before he gets the rebate tax -- the scrutiny he gets at times. I know very well and I wonder if that gentleman, or even some of the city members, realize what the farmer goes through before he gets his rebate tax. I agree very much with the First Minister when he said that no prosecution has been made. Why should there be any prosecution? That's all the farmer gets -- you have over-run your gasoline allowance and you're not getting a rebate of \$100 or \$200 -- that's out. Sometimes I would like to question this department about taxation and stopping the rebates to the farmer, because as far as I am concerned the department even comes into such questions. I can talk from the experience because I had that letter and I had to vouch and swear upon it. They even questioned me if I ever drove my caterpillar across the road allowance. If I did, I am not entitled to it. What kind of questioning and reasoning is that? I own another farm two, three, five miles away, and I am not supposed to cross that road allowance -- carry my cat over?

Now, you get into a wet year. Do you gentlemen here in this committee realize what you can do in a wet year? The farmer -- when you get stuck and your chimney of the tractor or a cat is just showing, and you call three or four neighbours with the tractors to pull you out -- they all burn gasoline. Oh no -- if you file it, you burned too much. For example, I give you a good illustration. I had 100 acres of flax three feet high, and it froze. Did you farmers ever try to cultivate that thing under? You cannot cut it; you cannot burn it; you cannot plow it under; you can not cultivate under. What do you do with it? You use a big global disc to tramp it down, and over and over and over again, to get it in the soil to have some good fertile for next year. What do I get? Where did you use so much gasoline? Do you own a car? Did you travel on the road? Did you go on the highway? It's not fun, it's the truth. Now you get a dry year like last year, and if you farmers try to plow with the plow in the gumbo land, did it go in?

(Mr. Wagner, cont'd) If it did, did your tractor pull or did it stay there spinning? Or you use the deep tiller -- and how fast were you going? How many gallons did you use per acre? Then this gentleman questions that the farmers are thieves. I don't say that an odd one puts it in the car. I feel that he is even entitled to that -- what he's going through, of course. Isn't the agricultural economy at its lowest level? And what now? We are going to prosecute him yet on the gasoline because he drove one gallon to town and back. Now if you're going to do some brush breaking, how fast do you go? If you're going to haul seed five, six miles away, 10 miles away, you've got to go on the highway. Oh no. How many gallons did you use on the highway?

In winter, you have four or five feet of snow before you get to that haystack. You've got to snow plow it first. And what kind of a snow plow the average farmer has? A wooden plow -- he pulling it, pushing, tugging. He gets his neighbour -- help me through because I cannot get at the stack. How many gallons did you use on the highway or on the road allowance? This is ridiculous, Mr. Chairman, I am surprised that we are sitting here questioning the integrity of the farmer -- that he is suffering there trying his best. He's filling out his form to the best of his knowledge and here we sit down and we're talking about penny pinching on the poor farmer. I am just surprised.

MR. MOLGAT: Mr. Chairman, I am glad to see that the Honourable Member for Fisher put some perspective back into this whole affair, because his Leader frankly had me worried about the tack that he was taking. I strongly recommend that my friend from Fisher should make that speech to his Leader first thing when he sees him.

MR. SCHREYER: Mr. Chairman, the fact of the matter is that it certainly does no harm to inquire as to the percentage of rejections of applications or the number who have been summoned for prosecution. There is no harm in that because it points out when we see how few false returns have been filed, the fact there is nothing wrong in this program. It does prove that the letter which we all received from the automobile trades people was really nothing but barking up the wrong tree, and my leader simply was doing the farmers a favour.

MR. MOLGAT: Mr. Chairman, I highly recommend an immediate caucus of the NDP group.

MR. WRIGHT: Mr. Chairman, after the eloquent plea of my colleague here I was very hesitant about rising and speaking on this debate, but on thinking it over I think it's all the more reason why I should rise and say something, because I am at a loss to understand why the Provincial Treasurer suggested that the onus for prosecution should rest with the complainant. I think it would be far more -- (interjection) -- pardon?

MR. ROBLIN: I didn't say that. We'll do the prosecuting. But if someone complains, we'd like to have a little help to know where to investigate.

MR. WRIGHT: Well, Mr. Chairman, I want to suggest that it's almost impossible to enforce the law as it now stands. In the old days when we had coloured gasoline it was comparatively simple. I agree with my colleague here that the farmer is very hard-pressed and shouldn't be harassed by all the regulations, but I think that colouring the gasoline would eliminate a lot of that because a person then could use coloured gasoline for all farm purposes. Anyone caught with it in a motor boat, or on the highway could be punished. I think it would make law enforcement much simpler than placing the onus on the person to lodge a complaint.

MR. MOLGAT: This is grossly unfair. I suggest the committee rise and report and that these people be instructed to have a caucus immediately.

MR. SCHREYER: I resent that very much. Whether my honourable friend thinks it is a joke, or what, I'm not sure. The fact of the matter is that when my leader raised that earlier this evening, among other things it served to show that the farmers have nothing to lose by having this discussed. It does show the almost non-existence of -- in fact the non-existence of cheating, as some trade groups seem to think is prevalent among farmers. There certainly wasn't anything wrong, and the implication of the Leader of the Liberal Party that there is some sort of disagreement here -- in fact it's ridiculous.

MR. PAULLEY: Mr. Chairman, I didn't hear but -- (interjection) -- No -- (interjection) -- Pardon? I want to say that while you fellows might not be interested in whether or not the Treasury of Manitoba is receiving its

MR. SMELLIE: Where were you when Peter was up?

MR. PAULLEY: I was out. But despite that fact, and I was informed by my colleague of his remarks somewhat, but it does seem to me that many of you on that side, and apparently the Leader of the Opposition as well, missed the point that I was raising, whether or not there is evasion in respect of our taxation laws dealing with gasoline. The basis, as I raised it, was the very communication that the Honourable the Provincial Treasurer used as an illustration, and as my colleague from Brokenhead right now has so very properly pointed out, that it is worthwhile. In that communication that we all received there was implied, possibly even a little further than being implied, that the farmers of Manitoba were evading their taxes, and that was the reason I brought it up. First of all, to refute or to have the provincial treasurer refute the statement that was made in that particular document; and secondly, and I think equally important, that if there has been evasion in respect of the payment of gasoline and motor fuel taxes then this House should know it. I also wanted to know what steps, if any, that the Taxation Branch of the Government of Manitoba were taking to see that there was no evasion. From all of the remarks that I heard from my honourable friend the Provincial Treasurer, practically speaking, none. I think it's their onus and their responsibility to do these things. He mentioned and skirted around the question, where he is referring to income tax and the Department of Internal Revenue checks your statement on income tax, but at the same time, if they find discrepancies they not only investigate at that particular time but they go back over the years to see whether or not there were similar occurrences before. So I think, Mr. Chairman -- I'm sorry I didn't hear my honourable colleague from Fisher, but I'm sure -- I'm sure no matter whatever he did say, that there was no implication in his remarks as to the intents and purposes for which this discussion started.

Now the -- I was almost going to say the rabble on my right, but I can't use that here in this legislature. Occasionally -- (interjection) -- rebel? Occasionally we hear snide remarks from the other side directed toward us, but I want to say often, Mr. Chairman, in this House, all of us have been lectured from one side to the other, or from one side together, of the responsibilities of opposition, and I think one of the responsibilities of opposition rests on the very points that I raised the minute we went into taxation. If my friends on my right think that this is a joke, then I suggest they're not fulfilling the duties of opposition in this as well as many other instances.

MR. CAMPBELL: Mr. Chairman, I don't consider this to be a joke. I think if there is any joke at all that my honourable friend started it off by getting on the wrong side of this argument and rather intimating that there should have been some prosecutions.

MR. PAULLEY: We wanted to find out if there were any.

MR. CAMPBELL: You read the debate when it shows up tomorrow, and don't show it to your colleague from Fisher. However, I want to ask a perfectly serious question because I realize that this is a serious matter. The Honourable the Provincial Treasurer said that they had made some spot checks. Now I'm not suggesting that there should be prosecution, but I am wondering how can this matter be checked? What's the nature of the spot check? I have one other question while I'm at it and that is this: Is the Minister aware if the system of coloured gasoline or marked gasoline is still in vogue in the Province of Saskatchewan? And if he is aware can he tell us roughly the number of inspectors that they need to keep on hand to enforce that regulation?

MR. HRYHORCZUK: Mr. Chairman, just coming back to the income tax. Could the Honourable the Provincial Treasurer tell us whether the employer deducts provincial income tax in the same manner that he deducts federal income tax from the pay cheques he issues?

MR. ROBLIN: Mr. Chairman, dealing with the last question first. The employer deducts one sum -- one sum -- and that includes both the provincial and the federal share. Nobody really knows what the ultimate outcome will be until the income is earned for the year, and the regular procedure that we've always gone through is gone through again.

Dealing with the points raised by the Honourable the Member for Lakeside, I really can't undertake to give any report on what the Province of Saskatchewan is doing, except to say that rumour has it that they are still using coloured gas. Now regarding our spot check here, what I mean to say is that a certain number of these returns which appear to be all right to us from a casual -- well not a casual but from a routine check, let me say, of the factors in the office, were investigated in the field to see whether there was any tendency for facts to be

(Mr. Roblin, cont'd) improperly disclosed that weren't obvious at the reading of the form itself. I think I must say that no substantial evidence was uncovered to indicate that this was the case, which indicates that the present system of checking is working with reasonable satisfaction and that the people making out the forms are reasonably honest. That's what it means. Now I wouldn't say that that spot check has been so extensive, as I said before, that one can positively hang your hat on the results, but the indications I think are reassuring.

MR. CAMPBELL: The honourable gentleman says that they were checked in the field. Does that mean that the return was taken and someone acting for the Taxation Branch went out to interview the farmer and check exactly with him as to how that amount of gasoline had been used? I wanted to make only one contribution to the income tax debate at the moment and that was this, that I give the Provincial Treasurer -- I believe that "Duff" has really outsmarted "Dief" on this because I believe that "Dief" thought that when he made this change -- I think he thought when he made this change that he was going to put these provincial fellows in their place and made them show these taxes. He's going to do that all right once a year but I think the Honourable the Provincial Treasurer here got away from showing it 12 times a year or 24 times a year. I compliment him.

MR. ROBLIN: I wish I deserved the compliment, but the plain fact is that I had to abide strictly by the federal regulations or else they said we won't collect. It's their idea.

MR. FROESE: Mr. Chairman, I think one of my previous questions wasn't quite answered and I would like to repeat it. It's in regard to the dealers selling the gas. When they purchase the gas from the bulk dealers, they have to pay the tax. Later on when they sell it they probably do not get paid and, as a result, the accounts receivable on the books would include these tax monies. Now, first of all, are the dealers reimbursed for the collection of those taxes? Secondly, is there any way in which they can be compensated, or are compensated for these losses in the accounts receivable which includetⁿe tax -- gas tax?

MR. ROBLIN: Well, Sir, as a general rule, one could say that the inspectors are compensated. Their rate of commission for collecting and remitting the tax is 1/10 of one cent per gallon, and so they're remitted in that way. The question of bad debts is another thing altogether, because there's no tax that I know of that takes into account the commercial ability of the man who's merchandising goods. He has to rely on his own skill as a merchandiser to get paid for what he sells, and that includes not only the tax but the other cost of the item as well. I know of no way of getting around that part.

MR. MOLGAT: Mr. Chairman, apart from the gasoline and income tax, what other matters does the Taxation Branch here cover now?

MR. ROBLIN: amusement taxes are the other main item under this one, Mr. Chairman, and parimutuel taxes.

MR. CHAIRMAN: Item 2 --- passed. It's 11 o'clock. Will the Committee rise.

MR. ROBLIN: Yes, Mr. Chairman, let's move the Committee rise. Oh by-the-way before that happens, perhaps I should give notice that I will not be able to attend the sitting of the House tomorrow. Should we get past Private Members and on to Committee of Supply, I hope we'll be able to have the Minister of Industry and Commerce begin his estimates -- the Provincial Secretary. The balance of mine can be picked up at some time convenient to the House, but I will not be here, Sir. I won't be able to oblige the members with my usual fund of information and good humour.

MR. CHAIRMAN: Call in the Speaker. Mr. Speaker, the Committee of Supply has adopted certain resolutions, directed me to report the same and ask leave to sit again.

MR. MARTIN: Mr. Speaker, I beg to move, seconded by the Honourable Member for Winnipeg Centre, that the report of the committee be received.

Mr. Speaker presented the motion and after a voice vote declared the motion carried.

MR. ROBLIN: Mr. Speaker, I beg to move, seconded by the Honourable Minister of Industry and Commerce, that the House do now adjourn.

Mr. Speaker presented the motion and after a voice vote declared the motion carried and the House adjourned until 2:30 Tuesday afternoon.