



**Fifth Session - Thirty-Fifth Legislature**

of the

**Legislative Assembly of Manitoba**

**DEBATES**  
**and**  
**PROCEEDINGS**

**(Hansard)**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fifth Legislature**

**Members, Constituencies and Political Affiliation**

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NAME	CONSTITUENCY	PARTY
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHOMIAK, Dave	Kildonan	NDP
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
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DOER, Gary	Concordia	NDP
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ERNST, Jim, Hon.	Charleswood	PC
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EVANS, Leonard S.	Brandon East	NDP
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FINDLAY, Glen, Hon.	Springfield	PC
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LATHLIN, Oscar	The Pas	NDP
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ROCAN, Denis, Hon.	Gladstone	PC
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SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
WOWCHUK, Rosann	Swan River	NDP

## LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, June 23, 1994

The House met at 9 a.m.

### ORDERS OF THE DAY (continued)

#### COMMITTEE OF SUPPLY (Concurrent Sections)

##### HIGHWAYS AND TRANSPORTATION

**Mr. Deputy Chairperson (Marcel Laurendeau):** The Committee of Supply meeting in Room 255 will resume consideration of the Estimates of the Department of Highways and Transportation.

When the committee last sat, it had been considering item 5.(a), on page 95 of the Estimates book.

**Mr. Daryl Reid (Transcona):** When we last sat on the Estimates, I had asked the minister to provide us with some information relating to Caribou Ventures or Caribou consultants, who, I believe, were working in conjunction with several government departments relating to the Arctic Bridge agreement.

I am wondering if the minister has had a chance to find any information relating to that and any Order-in-Council that may have been place to pay for the services of Caribou.

**Hon. Glen Findlay (Minister of Highways and Transportation):** Mr. Deputy Chairperson, I have information here for both critics on a number of topics, including an analysis of Caribou Ventures.

**An Honourable Member:** We need a third copy. Thank you.

**Mr. Findlay:** You got it, you had it. She did not say you need to retain it.

**An Honourable Member:** I need to retain it.

**Mr. Findlay:** You did not say that.

**An Honourable Member:** I need to have it tabled.

**Mr. Findlay:** Just do not take it away in case I need it.

**An Honourable Member:** Okay.

**Mr. Reid:** In an effort to give me a chance to read this information on Caribou, I will just switch for couple of moments to more general terms relating to the Arctic Bridge agreement. Maybe the minister can give us some update on what successes the government has had with respect to the Arctic Bridge agreement and whether or not we have seen any progress in traffic by way of the agreement with Russia.

**Mr. Findlay:** Mr. Deputy Chairperson, for the member's information, the departments that are involved are EDB; Industry, Trade and Tourism; Northern Affairs and Highways.

The consultant was hired to submit a report on what economic opportunities existed for two-way trade, and that report is due fairly soon.

**Mr. Reid:** Well, this agreement has been going on since 1991. I believe the original one was struck, and the Premier and the Minister of Agriculture at that time, who is now the Minister of Highways, went to Russia to sign the agreement or were involved in the original signing of the agreement in '92, so—[interjection] Okay, the Minister of Agriculture was involved in some way in the discussions surrounding it at that time.

Two years have passed since, and I have not seen any announcements come out of any progress. I am just wondering, since I had asked at the time, what type of monies were expended with respect to Caribou Ventures. I do not see any information here relating to the amount of monies relating to the hiring of Caribou Ventures and whether or not there was any Order-in-Council that would have been signed. That is my question. Where is the information?

**Mr. Findlay:** Caribou Ventures was hired as a consultant for, I believe, the amount would be

around \$100,000, not fully expended at this time, and they were hired through Treasury Board, so there is no Order-in-Council.

**Mr. Reid:** I thank the minister for that information. I would like to switch for a moment to talk about air bilateral agreements. It is my understanding that there is some discussion recently that I have heard, that the governments of Canada and the provinces may be looking at moving back to the table to talk about bilateral agreements with the United States.

Can the minister tell me, have those discussions commenced? If so, what stage are we at, and are we at the table participating to protect Manitoba's interests?

**Mr. Findlay:** Mr. Deputy Chairperson, on April 28, the Transport Minister Doug Young travelled to the United States and met with Transportation secretary Mr. Pena. That would be, as I said, April 28. There was not much agreement that came out of there other than to continue discussions at the officials' level.

We are meeting, as the member knows, in the beginning of July in Calgary as a council of ministers. We have asked it to be on the agenda. We have taken the lead from the provincial point of view that it be on the agenda for further discussion.

There is a strong desire by the private sector to have better access into the U.S., as our trade patterns continue to improve and the volumes of trade with the U.S. continue to improve. I think the figure is a 40 percent increase with Mexico last year, 20 percent increase of Manitoba trade to the United States last year—20 percent increase. We are obviously doing business. To effectively compete, our people need to be able to move to the locations efficiently and effectively. From a Canadian point of view, we would like more direct flights into major centres in the United States, as opposed to circuitous routes.

From a Canadian point of view, we want access to the U.S. I think it is important we give access to Americans that are coming up here looking to buy goods and services. They can efficiently get into our major centres to do business. We are hoping

that the discussions can continue in a productive fashion, particularly for Manitoba and western Canada.

**Mr. Reid:** We have not moved out of the problem areas for the airlines to this point in time. There was, at this time last year, some significant discussion taking place with respect to Canadian airlines and Air Canada and Gemini, of course, who also had jobs in this province. [interjection] They may have helped the situation somewhat from the previous federal government, but I am sure that they were not the sole reason why the problem was solved.

Can the minister give me some idea of what is taking place with respect to the problem that had been encountered with the two airlines? We know that Gemini has moved into the information highway network, I believe is where they are going to be shifting their emphasis now. Have we retained all of the jobs for Gemini in this province, or are we going to see a loss of jobs there? What is taking place within the Air Canada network? Has the minister met with the company CEOs to find out what the long-term plans are for the Winnipeg maintenance bases for both the airlines and their staffing levels in this province?

\* (0910)

**Mr. Findlay:** Mr. Deputy Chairperson, our information is that there are no job losses in Winnipeg. Actually, the episode we were in about a year ago looked very, very bleak in terms of Canadian, Air Canada and in terms of Gemini. Then, through the sequence of processes, at this stage, obviously, both Canadian and Air Canada are refocusing their efforts with their new partners—American Airlines with Canadian, and Continental with Air Canada—to improve their operating profits. I think the last figures I saw would indicate that they are looking at much better operating end results for this year than last year. The member comments on Gemini getting into the information highway business. Absolutely, a growth area, substantial growth area. All the jobs that were in Winnipeg will be retained in that process.

A year ago it looked very bleak for all three involved, and today—I will have to admit that neither airline is out of the woods yet in terms of economic pressures and competition, but they have got a much, much better future now than they had as recently as six months ago. It looks good for Winnipeg in all aspects there.

I think it will also look much better for Winnipeg if we can get more direct flight access into major American centres. It will just improve the job potential here.

**Mr. Reid:** What efforts are being made to secure other routes other than the ones that we have? It is my understanding we just recently got the Winnipeg-Chicago route back via Air Canada, not that long ago. What other efforts are being made to secure other routes to other destinations in the United States or in the Northern Hemisphere?

**Mr. Findlay:** Just to further answer the previous question. The staff have certainly been meeting with CEOs of all three, Air Canada, Canadian and Gemini, over the past period of time, as everybody is going through the refocusing, restructuring process. The air bilateral process is the major way of trying to improve access to markets in the U.S.

I think it is fair to say that, personally, I would think that the local airport authority would be a good move, to have more initiative from the local level, to be proactive in advancing opportunities of Winnipeg Airport. The process that is now ongoing is that the federal government is looking at additional accountability elements in the local airport authority agreement. We have no problem with that, but I think it is the improved accountability principles that have been talked about that sound good.

The federal minister, my understanding is, has it in front of the cabinet at the federal level. It is probably fair to say there are at least 15 other airports across the country looking at a similar principle. My understanding is that Winnipeg is next on the list, and it was the next one to have been negotiated and still is. I think that would be positive to allow local interest to promote the airport in a very aggressive fashion.

I know I have always said that the airport is, in a transportation sense, the key focal point for the future, and everything else works in conjunction with it; in harmony with the airport, ground transportation, rail or road, for cargo and then for people. Good integration between all modes is the way of the future, and then we can have local responsibility. I rather think it will improve the capability of this airport. It is a 24-hour airport. It must be maintained that way, and further developments in and around the airport are critical to allowing it to expand to meet opportunities.

**Mr. Reid:** Before I get into the airport authority line of questioning, I want to ask first, does the department keep employment statistics, or are they advised of what the employment statistics are by transportation sector within the province, and whether through the airlines within the province, airport staff, rail employment, employment in trucking? I am talking direct employment here now and not the spin-off related employment.

**Mr. Findlay:** Mr. Deputy Chairperson, the University of Manitoba Transport Institute does the analysis and develops the numbers. I have numbers here; I have '83, '89 and '92. Unfortunately, '92 is the last figures we have for total employment in the air industry: 3,000 in '83; 3,500 in '89; 3,100 in '92. It is hard to say whether in '94 that is up or down. We update every two years, so we will get a '94 update. So the most recent is 3,100 jobs, air related. Those are direct air transport services.

**Mr. Reid:** Does the minister also have figures relating to rail and to trucking as well?

**Mr. Findlay:** On exactly the same sheet, I will give them for the same three years: '83, '89 and '92. I will just repeat the air ones: 3,000; 3,500; and 3,100. Truck for the same years: 6,000; 6,900; 5,900. CN Rail: 7,400; 6,100; 4,900. CP Rail: 4,400; 2,800; 2,500. VIA, the first figure we have for VIA, is for '89, which is 600 jobs; in '92, 420. Public transit: 1,700; 1,800; 2,100. There is a category of Other. I will give you the category of Other; probably it is fair to say it is taxi and jobs of that nature: 4,700; 4,600; 5,600. For grand totals of 27,700; 26,300; 24,500.

\* (0920)

**Mr. Reid:** I thank the minister for the information. If he has a sheet there, maybe he can ask the Clerk, if she is agreeable, to provide us with a copy of the information.

Getting back to the air and the air carriers and air employment, are we currently involved in any discussions with other provincial jurisdictions or the federal government dealing with the national air carrier policy? Are there any studies ongoing with that, and are we involved in any way in those discussions?

**Mr. Findlay:** Mr. Deputy Chairperson, there are discussions at the officials' level involving all provinces on the national air policy for the future.

**Mr. Reid:** Can the minister provide us with any kind of background information relating to any of the discussion items that would be forming a part of that air carrier policy, the national air carrier policy discussion?

**Mr. Findlay:** We do not have all the items in front of us. We will supply it to the member very quickly.

**Mr. Reid:** All right. I thank the minister for that. Also, I want to switch for a minute to the Winnipeg International Airport. There have been some discussions of late regarding the airport authority. I know the previous federal government had started to move in that direction, and it looks like the current federal government is continuing with that course of action.

There have been some concerns raised with affected groups in that—and I had the opportunity recently to attend the first annual Winnipeg Airport Authority general meeting—there does not appear to be any representation from the province currently sitting on that board even though—well, my understanding, the province is entitled to one seat there—from that last meeting anyway, that seat is currently vacant, and I believe the federal government's position is vacant on that board as well at the last information that I had.

Also, at the same time, there does not appear to be any representation from consumer groups considering that there are over 2 million

passengers that use the airport a year; and, at the same time that the minister has already given us figures relating to the number of airline employees in this province, we do not have any of the people associated with the airline activities represented on that airport authority.

So it seems to me that we need to have some expertise not only from the consumer groups, but from labour as well, from the employees that work it, to have some vested interest as well in what happens with the airport. I am just wondering if we have ever made representation to the federal government, saying that we would like to have that type of representation there to represent those interest groups, and at the same time, can the minister indicate to me—first if we have not filled the position to which we are entitled as a province—why we have not?

**Mr. Findlay:** Mr. Deputy Chairperson, there was a task force set up to explore the desirability, feasibility of a local airport authority. We were involved in the task force, and funding was in place from Western Economic Diversification, the province and the city to fund the process. It is what we have evolved to as an airport authority with current officer, Sandy Hopkins, as chairperson; Otto Lang as vice-chairperson; Ernie Halligan as treasurer; Robert Gobor as secretary; and Fred Fulcher as executive director.

The future in terms of the enhanced accountability principles will have an additional composition on the board, one representative each from the business community, organized labour and a consumer group. Neither the federal nor the provincial government will have direct representation. We will have the right to nominate one person from the province and two from the federal government, but those nominees are not to be elected officials or government employees. So they will be from the public at large, nominated one by us and two by the federal government, in addition to the business community, organized labour and a consumer group. The new composition of the board is proposed under the new accountability principles, which we support. There is no problem with them, but, at this point, not approved by the federal government. Certainly

we are expecting it to be, but to this point it has not happened.

**Mr. Reid:** It is my understanding that these changes went through federal cabinet some two or three weeks ago from information that I had received from the authority itself or was supposed to have gone through cabinet at that time. I am wondering why the minister indicates that the changes have not been made, what the holdup is. At the same time, if we are entitled to have someone represent us on that board, I mean, I take a look at the composition of the board and, outside of Mr. Prentice from the University of Manitoba, everybody else is either directly connected with pure business activities in the commercial sense or past members of federal government. I am wondering why we do not have the other groups that have been excluded from the process by way of consumer groups and labour and why we do not appoint our person now to allow them to be a participant in the original discussions setting up the Winnipeg Airport Authority before it is turned over, I believe, in August of this year. We should have somebody there representing our interest to make sure that our needs are met as well.

**Mr. Findlay:** Mr. Deputy Chairperson, I do not know what the federal government is doing at this precise moment, but we all understand that it went to cabinet, as the member said, two or three weeks ago. The best information we have is that it has been withdrawn, for whatever reasons known only to them, to do what they want to do with it. I have no reason to believe that they will not proceed with it. So, at this stage we do not have—until it is approved, it goes through cabinet, and the structure is set up saying that this will be the new composition of the board. We do not really have any authority to appoint somebody. Now, on the advisory committee, we have Mr. Rollie Savoie.

So it is an ongoing process. I think that the existing board is somewhat frustrated. They want to get on with life. They have no problem with the additional composition, but they need the clearance and the authority to move forward, and that has not come yet. As I said earlier, clearly Winnipeg is the next airport to set up an official airport authority, and whatever guidelines are used

here will obviously be the recipe for at least 15 other airports across the country. I think the member is aware that there are already four airport authorities in existence: one at Montreal, one in Edmonton, one in Calgary, and the other at Vancouver, operating reasonably successfully.

**Mr. Reid:** So if I understand the minister correctly it is the federal government that is the bottleneck in this process, and they have not come back with any information relating to final decisions on the structure of the board for the authority. The minister indicates that Mr. Savoie is representing our interest currently during the discussions taking place?

\* (0930)

**Mr. Findlay:** Right.

**Mr. Reid:** Then are we only sitting there as an observer, or are we actively participating in any of the discussions surrounding the transfer and the setup of the authority?

**Mr. Findlay:** As I said earlier, Mr. Deputy Chairperson, Mr. Savoie is on the advisory committee, not on the board itself. He attends every advisory committee meeting that is held, but the board still meets separately, deals with items separately, but calls upon the advisory board in a very regular fashion.

Truthfully, I think the member has recapped it properly. We need a decision of a go-ahead from the federal government as to what is the process. If we do not like the process they bring forward, we have a chance to comment then, but I think we just need to have them make a decision and get on with things.

(Mr. Ben Sveinson, Acting Deputy Chairperson, in the Chair)

I have no reason to think that whatever they will come down with will not be acceptable by us at this point in time, unless they make some violent change in the perceived direction we see at this time.

**Mr. Reid:** If the minister is going to the ministers meeting on July 7, I believe it is, I take it that the federal minister would be involved in those

discussions as well. Would it be possible for the minister to raise Manitoba's concerns?

I should ask, is the minister agreeable, first, in having these groups represented and Manitoba play an active role in the setting up of the airport authority to make sure that more than just pure business interests are involved in the debate, in the discussion and the activities surrounding the airport authority, and whether or not it would be advisable for the minister at his meeting with the federal minister and other Transport ministers of provinces to discuss at that time, to indicate that we would like to take our seat as soon as possible on that board?

**Mr. Findlay:** Mr. Acting Deputy Chairperson, as far as we know, the federal minister will be there at the beginning of July in Calgary. It is not 100 percent confirmed at this stage, but I certainly cannot imagine why he would not be there.

I have full intentions of discussing with him to find out what the holdup is and where he is at, as part of Team West, which is the grouping, as I told the member earlier, of the western provinces and the two territories to work together on issues of common importance in transportation.

This is clearly one item that we want to have discussed very thoroughly because I feel Winnipeg right now is at a competitive disadvantage with Calgary and Edmonton in terms of trying to get out there and hustle air routes and air traffic for both people and cargo.

As far as I know, any discussions I have had with existing business people on the airport authority, they have no problem with the addition of these other people, no problem at all. And I have no problem with business people being involved either. The member seems to have a little bit of a hangup, but I think for true accountability, in the final analysis, we need the balance. No problem there, and I am positive that nobody who is currently on there has any trouble with it. We just need to get on with it.

I also like the idea that the provincial and federal representatives will not be elected people. Particularly, I like that, because you get so many vested interests brought to the table there, and

probably it is better that they are not government employees. It is somebody we appoint who represents our interests.

So I think the process that is proposed is good, but we just need to get on with it so we can start competing to make more things happen in Winnipeg. You have traffic volume and passengers here in Winnipeg that are way below Calgary, and we are cities of comparable size.

**Mr. Reid:** The minister indicated that he thought I had some problem with the fact that there were only business people currently sitting on the board. I have already indicated in my earlier comments that we had someone from the University of Manitoba by way of Mr. Prentice sitting there, so it is not just purely business people who are there now with commercial interests. What I am asking for here is some balance to be struck, that we have representatives from other groups and a representative appointed by government as well on that board so that we make sure that we are in on the ground floor or as close to it as possible as the discussions progress. That is why I raised the issue.

There was some problem in the past with the accountability as well. I know they have to have, I believe, annual general meetings to inform the public. Is this new airport authority going to be responsible for having a public tender of any contracts that they may be awarding for any of the activities which they may undertake?

**Mr. Findlay:** Mr. Acting Deputy Chairperson, in the accountability principles, there certainly is an item on tendering publicly. There is some debate going on, on what the upper limit would be for nontendered and then everything over that has to be tendered. We certainly would favour that limit being as low as possible.

There is a proposal now, and it is being discussed. It is not firm at all, so it is probably better I do not mention any figure, but the interest right now is to keep that limit as low as possible.

I cannot comment on what the federal cabinet is thinking, but it is an item that is under debate as to what the limit should be.



But the basic principles, there will be public tendering. There will be a lower limit under which there is, I would say, the discretion not to go to public tender, but our preference always is in public contracts. In the vast majority of cases, no matter what limits are set, public tendering should be the first priority.

**Mr. Reid:** There was some concern originally at the beginning of this year, end of last year, that these contracts could be let first without public tendering, and in fact there could be some millions of dollars that could be expended without going through that process.

What would the minister see in his estimation or the department's estimation would be a reasonable limit set for the lower level of public tendering?

**Mr. Findlay:** I think in terms of what I have already said, the desire is that there will always be public tendering, and when you talk million contracts, absolutely 100 percent. Whether our limit should be \$40,000 or \$50,000, the basic principles, first priorities should be public tendering. Where they will end up as to what figure they will put in their final decisions, I would assume it would be somewhere in that vicinity of \$40,000 or \$50,000 that would be the lower limit for public tendering, but we would always advocate that public tendering should be done in absolutely every case unless there are extenuating circumstances.

\* (0940)

**Mr. Reid:** Well, \$40,000 or \$50,000, I not sure, it seems like there would be a lot of smaller items that would fall outside of the bounds of the tendering process by having a limit at that level. That could be a bit of a concern in the future should conditions change, and we see contracts let even in portions of under \$40,000. We know contracts can be broken up into smaller components to have that take place, so I am not sure that we would be in agreement with a level of \$40,000.

Has any discussion taken place, since we have obviously sat in at some of the discussions, to determine how there is going to be an apportioning of the costs associated with the airport's operation?

Is it going to be based on the number of aircraft flights, arriving and departing the airport, based on commercial and passenger? Is that how it is going to be apportioned for costs? Is the terminal going to be separate? Is the cargo section going to be separate from the activities of the airport? Can the minister give me some indication of how we are going to apportion those costs?

**Mr. Findlay:** Mr. Acting Deputy Chairperson, currently the Winnipeg Airport, in terms of its revenues and its expenses, operates at a loss. What is being negotiated would be classed as a negative lease. In other words, there would be an ongoing subsidy of some amount to make the airport viable, moving eventually over the course of the time to a total user-pay principle where the revenues are obtained when moving either people or cargo does pay for all the operating costs. The time frame of what that negative lease will be is probably subject to events of the future, and the idea that, as revenues increase from either cargo or from the movement of people, the amount of the subsidy will decline. I think it is widely accepted that you cannot instantly balance the books in terms of the operation of the airport. The intention is to proceed towards it.

(Mr. Deputy Chairperson in the Chair)

There is no question that if the local airport authority in terms of the fees it charges for cargo or for passengers is out of line with other jurisdictions, they are going to lose business. So there is a marketplace, self-limiting ceiling on what there will be, but the intention is—and I do not think there is any question the new Minister of Transport believes that the operation of transport systems has to move to a more market-oriented, user-pay kind of principle, with the lease being prepared or, I mean, negotiated, having a subsidy in the early years. Without that, it would be very difficult for Winnipeg to instantly move to a fully balanced book in terms of annual operations.

**Mr. Reid:** The minister indicates an ongoing funding support. I do not want to call it the term that the minister uses because that has been taken on a negative connotation these days with respect to other transportation and I am inclined—

**Mr. Findlay:** The difference between the income and expenses. How is that?

**Mr. Reid:** Yes, okay, that is it. I like that term better.

**Mr. Deputy Chairperson:** . . . only from those federal Liberals.

**Mr. Reid:** Yes, we will not get into that debate, Mr. Deputy Chairperson.

Can the minister indicate what type of funding support, which is, as the minister indicates, due to fade or reduce over a period of time, what type of time period are we looking at, and what type of funding initial amounts are being considered?

**Mr. Findlay:** Mr. Deputy Chairperson, there is no perceived time period that is fixed, at least not at this point, in terms of when we move away from the income support system that would be needed to make the airport viable. The annual loss right now is certainly \$1 million or above, and that loss will not move to zero until the revenues from the movement of freight or people is able to pay for it, and our expectation is it may be at least 10 years before there is a balanced book in terms of income and expenses with the airport. But there is not a two-year or five-year or seven-year time frame when it says it must balance the books. The principle on the lease says, as the volumes are able to pay the expenses, the degree of income support will be decreased, but only will be zero when the volumes warrant it to be zero. It could be, as I say, 10 years or more, under current projections.

**Mr. Reid:** The federal government, by way of Transport Canada, I believe, picks up a portion of those costs, or do they pick up all of the costs that are associated with the airport? If the airport switches to an authority, will the City of Winnipeg and the province then be responsible for any of those anticipated costs?

**Mr. Findlay:** In the process of striking this agreement with the local airport authority, the federal government remains 100 percent responsible. There is no offload of subsidy to the province or to the city or to anybody else. They have paid 100 percent of the income shortfall to this point and will continue to pay 100 percent in the future.

**Mr. Reid:** We have recently heard about the Vancouver Airport Authority having to charge, I think it is an \$8—

**An Honourable Member:** Ten dollars.

**Mr. Reid:** A \$10-dollar gate fee for their passengers that are moving back and forth, and it is my understanding that that money is going to be used to upgrade the facilities including the runways at Vancouver International Airport. When I talked about the apportioning of the costs here earlier, I had the Vancouver situation in mind. I am wondering, looking at the Vancouver experience, has the commercial air traffic out of that operation had to pick up any of the costs as obviously the travelling public would have to pay through their \$10 gate fee?

**Mr. Findlay:** Mr. Deputy Chairperson, the local airport improvement levy that is in place in Vancouver, our knowledge is that it is only charged on the passenger list. There is no similar levy on the cargo that moves in and out of Vancouver, and it is a levy designed to collect funds for additional runway or runway improvements. But the member is looking for the answer as to whether cargo is paying too, and at this stage we are not aware that they are.

**Mr. Reid:** Mr. Deputy Chairperson, that is a concern that I have, because there is potential for that situation to occur here at the Winnipeg International Airport as well, and if you have a hypothetical situation where you have 50 percent of the aircraft commercial and 50 percent passenger and the passengers are picking up 100 percent of the costs, then you do not have a fair apportioning of the cost associated with the operation of the airport.

So it would seem to me to be reasonable that we have some policy or program in place that would say that we should have a fair balance struck between who is going to be responsible for picking up the costs of maintaining and operating and any improvements for that operation. I hope the minister will take that position, and maybe he can indicate to me if he would be in agreement with that, and, if so, would he be willing to take that

position to his meeting with the transport ministers?

\* (0950)

**Mr. Findlay:** Mr. Deputy Chairperson, I certainly reflect the thinking of the member. I have always been an advocate that, if you are running a facility, there are always going to be upgrades that must be done. You know you never know what they will be. If you are running in a relay, you do not know whether it is the roof or whether it is the ice or whether it is the change rooms. In this case, you do not know whether it is going to be the runway or it is going to be the terminal facilities for passengers or whether it is the cargo facilities.

You should always set up a capital replacement reserve, and everybody should contribute. All the users in some agreed apportionment fashion should pay. Cargo certainly does pay landing fees and this sort of thing, and certainly passengers pay fees in their tickets. If you are going to put any special levy that is towards improvements, everybody should be participating and putting money into that pot. You might have certain passengers or certain companies that are moving cargo for two years and not for the next 10, and whenever you are involved in using the facility, you should be participating in setting up that reserve so that the people in charge can have the resources to make the appropriate decisions whenever a capital improvement is needed.

The decision as to how you do it, in my understanding of the process, would be a local decision. If Winnipeg or Edmonton or Calgary or anybody else decided they wanted to set up such a reserve, they would decide who would pay and how much. It would be a local decision. That is good. It allows you then to decide how much you can charge and still remain competitive with keeping your customer and cargo activity high, and still prepare for the future. So it is a balanced business decision, controlled and conditioned by the marketplace.

I believe everybody should contribute to that because everybody benefits in the long term in terms of any capital improvements that are done.

**Mr. Reid:** Well, I am not sure if it is a unique situation here in Manitoba where we have the Public Utilities Board that has the powers to review other fees set by Crown corporations, whether it be MTS, Manitoba Hydro, Centra Gas.

I am just wondering if there would be a role to play for the Public Utilities Board here in setting any fees that may be required by way of people or either passenger or commercial interest that would use the airport, because the minister has not indicated to me whether or not he would be willing to take this matter to his federal minister's meeting in July.

**Mr. Findlay:** Mr. Deputy Chairperson, there is no legal responsibility or right for the province to regulate those fees. If there is any legal responsibility, it is national. You know you mentioned PUB. He knows in the telephone area we used to do the regulation provincially; it is now done nationally because decisions are made there. If you have provincial decisions made in isolation of other provinces, you have an unlevel playing field for all the players, and this is another example of where national decisions should—there should be uniformity across the country in what those decisions are. So it is a federal responsibility in the regulatory sense.

**Mr. Reid:** I understand that the airports are federally regulated, but since you are moving to an airport authority which is going to become locally operated, and even though the federal government is going to be responsible for the supporting costs over a period of time, once those fade out, then there is going to be, from my understanding, no responsibility of the federal government to that operation outside of the safety aspect and some other regulatory matters dealing with tower controls, flight services. It would seem to me to be reasonable to have the Public Utilities Board as a public body that could oversee any fees that may be charged.

If we are not going to talk with the federal minister about this, I mean, we are in the negotiation stage right now; it is my understanding that the final contract has not been signed for the airport authority. This would seem to me to be the

appropriate time, while we are in those discussions, to move in a direction of making some recommendations on what we would like to see by way of protection for the public.

**Mr. Findlay:** Mr. Deputy Chairperson, my answer is not much different than the previous answer, that we have no rights or responsibilities in terms of setting fees. It is simply a national jurisdiction. I could lay out a scenario for the member that if you had provincial regulation but, nationally, the federal government carries the entire liability, and if the fees charged never allow the operation here to be financially viable and they constantly pick up the shortfall of the operation—they carry all the liability, and yet we are allowed to have regulatory control to keep the cost down—they would never accept that.

I think it is fair to say that probably the auditors, the federal auditors that are looking at the situation, would say, the federal government has to have a fair bit of say in what decisions ultimately come from the local authorities because the federal government wants the authorities to move to more market viability, more user-pay principle, and yet if they allow them to make decisions to keep fees down and never allow you to get there, they are defeating their own initiatives.

So I think it is fair to say, if there is regulation or ultimate decisions, there is a federal responsibility. We always want them to have 100 percent responsibility at the end of the day in terms of economic shortfall. So they will never give us authority or rights to step in and provincially regulate, and probably we would never want to do that and then say, well, we will accept some liability for the regulatory decisions. We just cannot afford to get into that financial dilemma.

\* (1000)

The process of broad representation on the board allows a lot of public input in the process of making those ultimate decisions on what the fees will be, but I think it is fair to assume that at the end of the day on certain kinds of major decisions the federal government through their Treasury Board will still want an opportunity for ultimate capacity to say no.

**Mr. Reid:** I will not carry on any further on that point, except I will just conclude on that part with the comments that since the minister has already indicated that the federal government's share of funding for the operation of the airport to cover the losses are due to be eroded over a 10-or-so-year period, and after that, since we are looking at signing a 60-year lease for that operation, we have another 50 years after that where there are a lot of things that can happen in that 50-year span, the federal government would obviously have no financial vested interest in the operations there for any of those losses. If that is the case, that is why I asked the questions relating to some process that would oversee or regulate in some way the fees that could be charged and apportioned to those that utilize the airport services and facilities.

I will leave that with the minister, and I hope that he will look at raising that with his federal colleague when he meets with him in July to make him aware that we have some concerns on that.

**Mr. Findlay:** I just want the member, Mr. Deputy Chairperson, to understand very fully that even though there may be a desire to move to balancing the books by fees charged in 10 years or whatever—I just use that as a ballpark figure—the agreement that would be signed, if it is whatever number of years, if it is 60 or whatever it turns out to be, the federal government will always have a responsibility for any shortfall. You know, we might balance the books at year 10 and at year 15, and we are in terrible deficit. They would always be there to balance the books. They would always be there to supplement the income shortfall. So they are always there as a backstop responsibility financially, and I think that is good for our protection.

You never can predict the future. Once you get to a balanced book, it does not mean you always stay there. Things can negatively happen. They have to remain, and we would always want them to remain, and there is nothing on the table right now that would indicate they would not remain there as the ultimate responsible entity from an economic point of view.

**Mr. Reid:** That is an interesting concept then, Mr. Deputy Chair. The operations would be turned over to private interest for a 60-year lease arrangement, and then they will have no true responsibility for any of the operating losses or any of the capital investment in those operations. It seems to me that they have the best of both worlds, whoever is going to be utilizing the facilities, whether it is the passengers or the commercial aspect. Neither one of them will have to cover any of those losses if the federal government is ultimately responsible for those losses.

**Mr. Findlay:** Well, let me give it to the member in a different angle. I mean, just think about it, if you are asked to be a member on this board representing organized labour and they say, by the way, once you sign in you are responsible for losses, you would never sign in as a board member. So the board has to be protected in that respect. It cannot be held responsible financially for any shortfall that might happen.

You can have the wisdom of Solomon and still not make this fly. The broad representation of the board can only be effective, can only have the personal freedom to come forward if you know that you will do your best job, and of course if you do not do a good enough job you might get replaced by the people that nominated you or the people that appointed you, but you can never think that the people on the board are responsible to pick up the losses down the road. I mean, why would we ever start the process? We would never come forward.

I think there has been an episode in Ontario where directors of companies—a person accepts an appointment as a director, and the thing goes down, and then he can be personally sued. I mean, that is an untenable position to get yourself into as a citizen. We want citizen input, so you have to give them protection, so at the end of the day, even though some decisions may not work out right, there is a backstop in terms of their financial liability.

**Mr. Reid:** The minister is right. It is exactly what we want. We want citizen input, which to a large degree, we do not have.

**Mr. Findlay:** But they cannot accept liability.

**Mr. Reid:** I am just worried that the taxpayer is still going to be on the hook after this moves into private hands and that the government is not going to have any direct say in any of the day-to-day operations, but I will not belabour that.

My last two questions here relate to the salaries of individuals who are going to be sitting in on the airport authority, any of the paid staff. Is that going to be public information? Also, the agreement that Transport Canada is going to sign with the airport authority people, is that going to be confidential or is that going to be released to the public?

**Mr. Findlay:** Mr. Deputy Chairperson, in terms of the new accountability principles—in terms of the projected ones, not the approved ones, but I do not imagine whatever is approved would be much different than this—annual public meetings must be held within 135 days of year-end. It specifies a 30-day public notice and minimum content of public meeting reports, including remuneration of directors and officers. So that would be public information at the annual meeting.

**Mr. Reid:** And the agreement, the final agreement—

**Mr. Findlay:** The final agreement between the airport authority and the government?  
[interjection]

The situation that exists at this point is that there are agreements with four airports and there are intended to be agreements with many other airports. I guess the federal government's position is that each agreement is a commercial agreement, and it is fair to say, they are not going to be standard. Naturally, they are trying to strike the best deal they can with the people they are dealing with at each jurisdiction. So they feel it is a confidential agreement between each and at this stage not likely wanting them to be public.

In terms of commercial content—in broad detail, I cannot imagine why it would not be, but there is always some confidential business information. The federal government is there to negotiate what it can, and every situation is slightly different. If you made every one public, and I am almost defending them now, you can see

everybody would say, well I want every advantage they got and then I want these other ones.

This is an evolving area. Nothing is final in terms of the federal decision as to how to proceed. I probably would favour personally that there be some degree of commonality released, but that those elements that are confidential, agreements and arrangements from a business point of view with the local board, be held in some degree of confidence for competitive reasons.

**Mr. Deputy Chairperson:** The honourable member for Transcona, who has the answer. Now, we need the question.

**Mr. Reid:** Mr. Deputy Chairperson, I was interested in hearing about whether the contracts were going to be released to the public, because after all it was the public or the taxpayers at large who paid for that operation in the first place, and it would seem that if we are going to be turning over a valuable public asset, the public should be aware of the contents of the agreement, and they could determine for themselves whether or not it was going to be in their best interests. So I hope that will come out somewhere in the future, and if there is any chance for the minister to raise that, I hope he will take that opportunity.

We had an agreement that was signed—I looked at the news release that the government had on April 28—the midcontinent trade and transportation corridor for expanding trade, and I believe it was down to—with Kansas. Can the minister give me some idea of what the intent of that is? Is it for trucking purposes? Is it going to include air operations and rail, and is the government intent on moving even further south with agreements moving towards Mexico?

\* (1010)

**Mr. Findlay:** Mr. Deputy Chairperson, the Kansas-Manitoba agreement was signed maybe three years ago or four years ago. It was the beginning of a process of bringing together what has turned out to be 11 states with Manitoba whose intention is to promote transportation movement of goods between Manitoba, midwestern U.S.A., and hopefully extending all the way to Mexico.

Certainly, there is a high level of interest in this by the trucking industry, and as we increase our trade and movement of goods north-south, it would appear the most efficient corridor between here and Mexico is straight south of Manitoba. It is flat terrain, basically good roads there now. But the initiative of the midcontinent corridor in terms of involving the U.S. states is to have them lobby the federal highway administration or secretary to expend federal U.S. funds to upgrade the infrastructure of this major, major corridor.

We see Highway 75, I29. You look at the map, it can go straight south to Mexico. Certainly, we would hope that truck traffic through western Canada would come across Alberta, Saskatchewan to Manitoba, and they have options to go straight south either via Highway 83 and hook up with I94 or come all the way across Manitoba and go south on 75. Here is a general map. You can see the brown line is straight south of Winnipeg, and the purple or blue line is straight south on Highway 83.

So the direction of getting straight into San Antonio, Texas here is very, very direct, and there are really no mountains to go up and down. I am told it is 200 miles shorter than coming from Calgary. To come south of Calgary, you see all the doglegs there, and you are going up and down hills and that increases the consumption of fuel.

So we are certainly advocating, promoting that U.S. states get together and lobby hard to have infrastructure expenditure on either one or both of those midcontinent corridors going straight south. Clearly, the Alberta people are promoting with the states south of them, in competition with us, some different thinking.

We had a meeting here last June where a number of the states were here talking about exactly this principle. As a department and as a minister in this government, we are certainly promoting as much as we can that this happen. The chamber of commerce—I will just backtrack for a minute. My previous relationship with dealing with the United States is that the states themselves do not have a lot of clout with Washington, not anywhere near the clout the provinces have with Ottawa and Canada, and that maybe the people who have more clout

are chambers of commerce or people of that nature. So we have talked to the Winnipeg Chamber and suggested maybe they work with chambers down there to see if they can expand the lobby and have more clout than maybe the states themselves could have.

A meeting was held here on Monday. The Winnipeg Chamber invited up the chambers from Fargo, Sioux Falls, and Grand Forks, further promoting the initiative. We must work to stimulate desire by the federal administration in the United States to spend money on this corridor.

I think it would certainly benefit commodity movements by truck. It is a priority, and we have certainly seen more and more—I think we are running at about 11,000 trucks through the border a month, and it is going up. We want to promote efficient, effective movement of trucks across our border, and the four-laning of 75 is a key part of that whole puzzle. It will be done by the end of this year.

I just add that Grand Forks was represented by mayors and chambers, Fargo or Sioux Falls, looks like about 15 people were present. So I am glad they showed good interest, and I was certainly really pleased at the reaction of the Winnipeg Chamber to spearhead this. It is to everybody's interest to be working together on this.

**Mr. Reid:** It leaves me with the impression that this may be an initiative that is tied in with the airport authority where we are looking to expand their role in an intermodal network. If that is the case, then I think it could be a good move to strike those reciprocal agreements or alliances with other jurisdictions.

I want to switch for a minute, because time is running short, to domestic needs within the province. There were some concerns, and there was a report that came out earlier this year relating to the intraprovincial carriers, the rural carriers in the province. There was a booklet that—a study done by Prairie Research Associates looking at regulatory options for rural trucking in Manitoba.

What has been happening in that regard with respect to the rural carriers? I know that the minister's department has had some meetings with

some of the rural carriers who have expressed concerns that their businesses were going to be falling by the wayside because of the deregulating of the marketplace and that some of the larger carriers were going to come in and take over their business.

Have any arrangements been struck? Have any solutions been found to the rural carriers' problems to allow them to continue in operation? Are we looking at moving towards a co-operative? Is that one of the solutions we are looking at, or are there other options available?

\* (1020)

**Mr. Findlay:** Mr. Deputy Chairperson, the member is fully aware that there has been interprovincial deregulation for some time, and I would say Canadian truckers, particularly the Manitoba truckers have responded well to that, adjusted well, and have held an awful lot more business than one might first have thought in the process of adjustment.

I will give credit to the trucking industry. They have been very responsive to adapting to change. Behind the obstacles of change they have seen opportunity. They sought it, and we have six of the 10 national Canadian trucking companies headquartered here, so that is pretty good.

In terms of intraprovincial, at this stage there are only three provinces that have had any intraprovincial regulations—Manitoba, Saskatchewan and B.C. My understanding in talking with the Saskatchewan minister is they are moving to total deregulation there pretty quickly. The member mentions Prairie Research Associates analysis which was released in December '93 and done through the course of '93, I guess—you know, had some comments there. It was the basis upon which Mr. Norquay held a meeting where all industry representatives were present to discuss, you know, where do we go from here.

From that meeting, the Manitoba Trucking Association took it upon themselves to come forward with a consensus from the industry. They have come forward with a proposal where, by January 1, '96 there would be elimination of geographic restrictions on operating authorities,

then by January 1, '98, full deregulation consistent with where other provinces are today.

That proposal Mr. Norquay has taken back to all the players to make them aware of what the consensus was that was put in front of us, and asked for comment in from anybody by—the deadline is tomorrow. That has been in their hands now for three to four weeks.

So the Motor Transport Board will look at the responses that come back from the consensus that the trucking association has brought forward. When they brought it forward they said, you know, we have had to beat our heads and we are not all happy, but we are coming in here saying we support this and we are prepared to adjust to it. The time frames of January 1, '96 and January 1, '98 are seen to be compromises that the vast majority can accept, but we will see what the comment is that is coming back from letting everybody know what the proposal is.

**Mr. Reid:** There was one other aspect relating to deregulation. I know there was a letter that was addressed to the minister from Litz & Sons talking about the time frame for implementation of the deregulation aspects, and they were asking for an extension that would be comparable to what the Manitoba Trucking Association has suggested, a date of 1998 for deregulation.

Has this company and the industry that they represent been put on the same timetable, as they had requested, as what the trucking industry has suggested?

**Mr. Findlay:** Well, Mr. Deputy Chairperson, with regard to Litz Crane, the issue there is really highway construction materials; now we are down really to bridge beams. The same applies there, as I mentioned earlier. I mean, an example is people in Ontario cannot come in here and bid, but Litz can go into Ontario and bid. Not necessarily what you would call a level playing field.

The Motor Transport Board has indicated to them that they want to have deregulation January 1, '96 for highway construction materials, and there are five companies in Manitoba in that business. I think it is reasonable in today's

environment that it be deregulated and that the board has made that decision.

**Mr. Reid:** I thank the minister for that.

I am going to provide for the minister some information relating to Gershman Transport International. This is not the only company that is doing this apparently. It appears that they may be contravening some of the Labour Canada laws relating to contracts. I have asked the previous Minister of Transport questions relating to contract standards for owner-operators.

The problem does not seem to have gone away. I mean, we are still getting this information coming to us complaining that owner-operators are being asked to sign contracts that make them responsible for everything under the sun.

I have got one individual that has called me yesterday saying that he is terminating his employment with the company. The company is holding back some \$700 or \$800 in salaries, the monies that are due and owing to the individual from the company for services performed. The company will not release it until there is a waiver of legal aspects on the part of the individual with respect to the company.

Well, we have all kinds of horror stories that are coming to our attention relating to this.

I am asking again: Why is it that we have not moved in the area of load-broker regulation and owner-operator standard contract legislation to provide some protections for the people that are working in these areas?

At the same time, I am sure the responsible companies out there would, hopefully, have no problem with this because they would be treating their employees in a fair manner already. It would only be the ones that would not be treating their employees in a fair manner that would be taken to task as a result of any legislation that we might bring forward.

Are we going to see some of that legislation to protect the owner-operators from unscrupulous acts?

**Mr. Findlay:** Mr. Deputy Chairperson, the owner-operator question is probably not an easy



one to resolve to absolutely everybody's satisfaction.

If we introduce legislation in Manitoba, and it was not introduced in other provinces, the industry would just move around Manitoba. These operators that now have the ability to work for a big company, the big companies just would not hire them here. They would hire in Saskatchewan, Alberta and Ontario.

There is not a willingness across the country to move to regulation in this regard. There are some standards that have been set up, and we are asking the voluntary compliance by the companies. The member is right. The good companies will do it, but the owner-operator always has the right not to do business or not to strike a contract with a company that has a bad record.

I think I mentioned it to the member before. We have a tremendous increase in the activity in trucking, and right now it is an owner-operator's field day in terms of there is more demand for their services—

**An Honourable Member:** Right. There are not enough people because they are pulling out of the market.

\* (1030)

**Mr. Findlay:** Well, the market will adjust. There is no magic in regulation. We can regulate till the cows come home here, and the industry will just work around us. Until there is a willingness and uniformity across the country, we would become an island that would be negatively hurt by doing something here that would precipitate people not to hire here, not to hire owner-operators here.

So at this stage we are asking for voluntary compliance to a set of standards that would be good for the industry, and everybody has to take some responsibility as to whom they do business with to be sure you do not do business with somebody who is not responsible and does not have a respectable track record in that regard.

**Mr. Deputy Chairperson:** The hour being 10:30, and as previously agreed to in the House, this committee will now recess. When we reconvene, we will be in the Department of Finance.

*The committee recessed at 10:30 a.m.*

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#### After Recess

*The committee resumed at 10:38 a.m.*

#### FINANCE

**Mr. Deputy Chairperson (Marcel Laurendeau):** Will the Committee of Supply please come to order. This section of the Committee of Supply will be considering the Estimates of the Department of Finance. Does the honourable Minister of Finance have an opening statement?

**Hon. Eric Stefanson (Minister of Finance):** I do have a very brief opening statement. Mr. Deputy Chairperson and members of the committee, it is my pleasure to present for your consideration and approval the Expenditure Estimates of the Department of Finance for the 1994-95 fiscal year.

The department proposes to spend \$744,663,000 in 1994-95. This represents an increase of 2.7 percent over the '93-94 adjusted vote. This increase is mainly due to a 4.2 percent increase, in our estimate, of public debt costs as compared to the adjusted vote for 1993-94. As members know, public debt is far and away the largest component of the department's spending. It is also the component over which we have the least control, except to the extent that we can reduce our borrowing by balancing the provincial budget. This has not been possible over the last few years when the national economy performed poorly and transfer payments from the federal government were restricted. However, we are committed to balance the budget in 1996-97, and I am confident that we are on track and will achieve that goal.

Among the other main appropriations, the only area of spending increase relates to the Taxation Division, where spending will rise by \$461,200 or 4.5 percent. This is due to the additional resources we are putting into the battle against tobacco smuggling. This spending increase was necessitated by the decision of the federal government and several eastern provinces, including Ontario, to reduce their respective tobacco taxes, thereby raising the likelihood that

smuggled cigarettes would be sold in this province.

\* (1040)

Our government is committed to maintaining the tobacco tax at current levels, because tax reductions would encourage more smoking, especially among young people, lead to increased health care costs and reduce current revenue. We therefore believe that the increased resources are fully justifiable. I am pleased that the other western jurisdictions are co-operating with us in the battle against tobacco smuggling and will be making financial contributions to offset some of the costs we are incurring as the front-line province.

Among the remaining eight main appropriations, one is being held constant, namely, Appropriation No. 10. Expenditures Related to Capital. The other seven are all declining, led by a 5 percent decline in Appropriation 1. Administration and Finance. These operating reductions are being achieved without hampering the essential work of the department and are consistent with this government's determination to bring the costs of government in line with what Manitoba taxpayers can afford.

I would also like to draw members' attention to the fact that a centralized Internal Audit Services branch has been added to the Comptroller's Division this year. This represents an amalgamation of the Internal Audit Resources previously located in 11 departments. Centralization of this specialized service will now allow us to make it available to all of government. It is also intended that the new branch will give greater emphasis to value-for-money reviews and focus attention on those activities that will reinforce and improve management accountability.

Those are my opening comments, Mr. Deputy Chairperson and members.

**Mr. Deputy Chairperson:** We thank the Minister of Finance for those comments. Does the official opposition critic, the honourable member for Brandon East, have an opening statement?

**Mr. Leonard Evans (Brandon East):** Mr. Deputy Chairperson, very briefly, because we are limited for time—I thank the minister for his opening remarks. Obviously, we do not have time to get into a lot of questions of administration detail regarding staffing and functions of different branches and any changes in those functions, but there are some policy issues that I would hope that we can touch on at least during the short period of time that we have available. In sum, the minister had made reference to the tobacco tax issue, and we certainly support the government's position in this area.

There are other questions, of course, the GST, VAT issue. We have some other questions about the Canada-Manitoba infrastructure, where we stand on that, the monitoring of the Manitoba Data Services or ISM or whatever it is called now and the question, I guess, of advertising guidelines. Those are some of the questions that we are concerned about and would like to have an opportunity to discuss during this brief period of time.

So with those few remarks, we can proceed, Mr. Deputy Chairperson.

**Mr. Deputy Chairperson:** We thank the member for Brandon East for those opening remarks. Does the critic for the second opposition party, the honourable member for St. James, have an opening statement?

**Mr. Paul Edwards (Leader of the Second Opposition):** Mr. Deputy Chairperson, I look forward to going through these Detailed Estimates today. Hopefully, we can get through it fairly expeditiously, so I am not going to make an opening comment. However, I recognize that time is short in the Estimates process generally and there will be a number of areas which we will want to question. Thank you.

**Mr. Deputy Chairperson:** We thank the honourable member for St. James.

At this time, under Manitoba practice, debate of the Minister's Salary is traditionally the last item considered for the Estimates of a department. Accordingly, we shall defer consideration of this

item and proceed with the consideration of the next line.

At this time, we invite the minister's staff to join us at the table, and we ask that the minister introduce his staff present, please.

We will be dealing with page 64 of the Estimates book.

**Mr. Leonard Evans:** While we are waiting for the staff to come, I wonder if we could be prepared to have some flexibility rather than going line by line, which I know has to happen eventually, to discuss some of the basic issues because of the shortness of time—and I raise some of them.

**Mr. Deputy Chairperson:** At this time I would ask if there is the will of the committee that we deal with it one appropriation at a time, so we can deal with 7.2 and then 7.3 and pass appropriations one block at a time? Would that be the will of the committee? We could discuss the entire appropriation. Would that be the will of the committee? Agreed? [agreed]

The honourable minister to introduce his staff, please.

**Mr. Stefanson:** Mr. Deputy Chairperson, seated next to me, who needs no introduction, I am sure, is the Deputy Minister of Finance, Mr. Charlie Curtis. Mr. Don Rice and Mr. Eric Rosenhek are joining me as well from the department, assistant deputy ministers.

**Mr. Leonard Evans:** Mr. Deputy Chairperson, I wonder if the one big issue that is confronting the minister today, and the people of Canada as a matter of fact, is the whole issue of the GST and what is going to happen to it. As we both know—as we all know in this room, there is some suggestion that we move to some kind of a VAT, value-added tax. Then, of course, there is the proposal that this be harmonized then with the provinces' sales taxes.

As I understand it, the Province of Ontario, there has been a report that they have done a study showing that this would have a negative impact on their economy because the transfer, I gather, from a GST system to a VAT system will, according to

this study, transfer the burden more from business to the shoulders of consumers.

I know there are some business people who always argue that in the end the customer pays, but there is a question of incidence of tax. I believe these economists have come to that conclusion, that it would therefore put a greater burden on consumers and as such would tend to stifle sales. Of course, that backs up into production, and then if you cut back on production or reduce production somehow, it affects jobs and you get job loss. Of course, there is the whole question then of how you harmonize it with the provincial sales tax.

I think the minister has stated that he is not too happy with the VAT approach and the harmonization, so I wonder if he could take this opportunity to tell us just where does Manitoba stand now on this issue, because he is now about, I believe, to go very soon to Vancouver to a federal-provincial Finance ministers conference.

**Mr. Deputy Chairperson:** Just to clarify for the record, we will be dealing with Resolution 7.1 with the exception of the Minister's Salary at this time.

**Mr. Stefanson:** Mr. Deputy Chairperson, I anticipate that this is an issue on which we will have an opportunity for a great deal of debate over the next weeks and months. It has been the basis of some questions in Question Period so far.

We just recently have received some detailed information from the federal government. The member is correct. We are meeting next Tuesday and Wednesday with all provincial Finance ministers and the federal Finance minister to discuss this issue.

As I have indicated, as we are preparing information, I will certainly be more than prepared to share as much of that as we possibly can with all members of the Legislature to maximize the basis of information and knowledge on this issue.

The points that he raises about the short-term impact on the economy, we are in the process of attempting to quantify that for Manitoba. As I responded to an earlier question, so far the information I have been provided with is that the principles and the expected outcome of that are

something that we are acknowledging as being correct. In the short term, there is the possibility of a negative impact as it impacts consumers and consumer confidence, consumer spending and that the offset, the benefits to business through the result of the input credits flowing through, and the export opportunities and so on are expected to be slower to be derived. So in the short term there is an expectation that could have a negative impact on the economy, on jobs.

The projections in principle are that over the long term there are benefits, is the theory behind it. Now we are working on quantifying that from the Manitoba perspective. Ontario has done some work through the Fair Tax Commission, so that is a concern, certainly a short-term concern.

We are also concerned with the cost to consumers. Some numbers are being bandied about in terms of what the costs of harmonization could be to consumers. Again, what we are seeing from our preliminary review is that if there was an extension into areas like food and prescription drugs, if we take that at added cost to consumers and then also factor in what we anticipate could be a savings to consumers, based on this 5.3 percent rate that is being suggested, there would still be a net increase to consumers on average for a family of four of between \$300 and \$400 per year.

Now, higher numbers have been suggested. My expectation is that those higher numbers do not necessarily factor in what would be a projected offset through a lower rate in other areas. At this point in time, this is all sort of theoretical because even the federal finance minister has not adopted a position on this committee report. He has indicated he wants an opportunity to talk to the provincial Finance ministers, and to the best of my knowledge, as of yesterday, he had not taken a formal position.

In terms of our preliminary position, as we all know around this table, I think we all opposed harmonization when the GST was first introduced. We continue to oppose harmonization based on this proposal that we see so far because of the concerns of it moving into areas that we opposed when the GST was introduced. Right now the PST

is not applied to books, to certain aspects of children's clothing, to the service industry, to purchases of new homes, and a series of areas, and those are some of the reasons, I think, that we all opposed harmonization when initially introduced. So we continue to have that concern.

Probably the other overriding concern with harmonization, if we take it on the basis of harmonizing with the GST as it currently exists, there is this myth that through harmonizing you could have a significant reduction in a combined rate. As we both know, it is 7 percent GST and a 7 percent PST in Manitoba. To harmonize based on the existing GST, that would not lead to a reduced overall rate because, I think, as we all know how the GST works, you get input tax credits, you get credits for inputs, the businesses do, so that there would be a cost to us on that side that in fact, potentially, under the current items being charged, would have to be recovered without quantifying it yet. On the existing items, there would probably have to be an increase in the PST to stay revenue neutral.

Now, the proposal is, if you move into these other items, you can conceivably reduce the GST down to 5.3. The preliminary review is that that does not necessarily translate into any kind of an increase in the PST. So those that have been promoting a single, unified tax on the basis of something like a 10 percent combined rate, if the objectives of the two governments is to stay revenue neutral, the preliminary review is that that is not possible unless one level of government is prepared to forgo sources of revenue. That is the only way you can get down to those kinds of rates, and if that were to happen, then whatever level of government chose to do that, they would have to replace it somewhere else.

\* (1050)

We obviously think that the PST, as it currently functions in Manitoba, by and large functions very well. We do not get a lot of concerns, a lot of complaints about it. It is the second lowest PST in all of Canada, after only Alberta, so we see no reason at this point in time to be supporting the

recommendation of the House of Commons committee.

Having said that, in principle, I think we all acknowledge that having two taxes is not efficient, that it is costly to business, which is then costly to consumers and so on, and that ultimately we should all be striving to find a way to get to some kind of a single tax, to some kind of a single tax collection agency, single audit process, all of those things that cost us money. So in terms of an objective, we would agree with that objective, but in terms of the approach put forward so far, we do not think that accomplishes it in the best interests of consumers, in the best interests of Manitobans. Therefore, we oppose what we are seeing so far.

I think I will have obviously a lot more information as our staff prepares the information and as I go forward to those meetings next week to hear from Mr. Martin in terms of if he has any other suggestions, any other proposals, of what his view is of the document.

I have had some preliminary feedback from western Canada, and I think basically, without speaking for all of the provinces, there seems to be certainly a recognition in western Canada that there is not much support for what is being put forward so far.

**Mr. Leonard Evans:** I thank the minister for that information. Just one tiny clarification. He said an added burden on consumers of \$300 to \$400 per year. Is that per family, I presume, or per person?

**Mr. Stefanson:** That is done on the basis of a family of four.

**Mr. Leonard Evans:** I appreciate the fact that what we have been discussing is a report of a parliamentary committee, and the government or the minister per se has not necessarily adopted that committee's views. I guess this is what our minister here is interested in seeing or hearing, along with the other provincial ministers, when they go to Vancouver.

There has been all kinds of speculation in the business media that provinces want to trade off. You know, maybe, if you want us to harmonize, what is in it for us, and what trade-offs? There is

even a suggestion of a trade-off with regard to income tax to allow provinces to have more freedom to collect their own income taxes.

So I guess the question I am putting to the minister—and it may be a little awkward for him to answer because I guess he does not know what Mr. Martin is necessarily going to be putting on the table. But I am pleased that he is opposed to harmonization. I was just wondering, is Manitoba, is this minister prepared to sort of discuss options for trade-offs because of the fact that Manitoba would stand to lose actually, through pure harmonizations, as it stands now, for the technical reasons that the minister explained, that there would have to be some quid pro quo offered somehow?

One suggestion was income tax flexibility. I am not necessarily advocating this; I am simply asking that question.

**Mr. Stefanson:** Again, I think the member for Brandon East is portraying exactly what will happen next week. I am anticipating all of these kinds of things will be discussed. It will be interesting to hear Mr. Martin's view on all of those issues. We have at least two fundamental objectives. One is, as I had indicated, our tax system here in Manitoba overall is working very well.

We have an objective certainly of staying revenue neutral. We are not, obviously, through any changes, looking for enhanced revenue, but we would expect that we would be able to retain the level of revenue that we currently have. That is an objective. Then, in terms of any other changes that might be proposed, our objective is basically one of fairness in terms of how we think any changes would impact on a combination of consumers, individual Manitobans and businesses.

Those kinds of things are being bandied about, that there might be a suggestion that we start redistributing areas of taxation, that conceivably the federal government takes over this whole area of sales taxes and so on and potentially then does something for provinces in another area.

We are prepared to look at those kinds of things, with those objectives being the fundamental

underpinning of what decision or conclusion we would come to in any of those areas.

**Mr. Leonard Evans:** I recall, about three years ago, there were reports in the business media again of a federal discussion paper that was supposed to have been prepared, designed to allow provinces to levy taxes on income rather than just take a proportion of the federal tax payable. I do not know whether that ever came about.

I know the government has changed, but I think there was a paper prepared, and there was some discussion. I do not recall that Manitoba took a stand. I believe I was asking questions of the minister's predecessor on that. I, for one, would be unhappy with Manitoba, frankly, getting into the direct income tax collection process. I do not know whether we stand to gain from that, although obviously it depends on actually how the mechanics are struck, how they are set up.

I will just ask the minister. Is that a serious option that he would be prepared to consider, and that is, to trade off for more freedom for Manitoba to collect income taxes?

**Mr. Stefanson:** Mr. Deputy Chairperson, I have been to two Finance ministers' meetings since I ended up in this portfolio, and an issue that has been on the table at the national level is the issue of provincial governments requesting and supporting tax on income on our personal tax returns.

As we all know right now, our provincial tax is a percentage of the federal tax, and provincial governments have been requesting and supporting a change that we end up with a tax on income, just like the federal tax is, again, for several reasons. One, it is more transparent to the taxpayer, that they can then readily look at their tax return, and, hopefully, determine who they are paying their taxes to. We are also looking for some additional opportunity for input into tax policy.

But we have also, as part of that proposal, suggested that we would support and could support a single tax collection agency, that, again, there is no reason that there cannot be a single tax collection agency done on a co-ordinated basis with the federal government, an independent agency, even, from government or under the

jurisdiction of the federal government with co-operation from the provinces.

\*(1100)

We do not see that there should be a need for provinces to set up their individual collection agencies or processes. I think those kinds of discussions were taken to the point where there did not seem to be much co-operation and there was a will to break away, like the Quebec system. I think most Canadians would support the co-operation that they file one tax return and have a system of either an independent or a co-ordinated co-operating agency.

**Mr. Leonard Evans:** I would hope that our minister could go to Vancouver and suggest some real options because Canadians do not like the GST. They do not want anything that resembles the GST imposed by the federal government, whether it be called a VAT tax, or whatever it is. They do not want it, and they really voted for the Liberal Party in large measure to get rid of the damn thing. They really thought they were going to get rid of it.

Now we all know that governments need revenue, and I would suggest that there are other forms of revenue that we could seek as governments to replace the GST. I have some suggestions to make about that, but I will defer for the moment.

I wonder if I could just give the floor to Mr. Edwards, and I will get back to this as soon as I get back.

**Mr. Edwards:** The interest rates in this country have recently taken a rise. There has been much talk amongst various governments about the effect that will have, and most notably the federal government recently.

Does the Minister of Finance have an update on what the effect of the recent increase will be on the projections of costs of servicing the public debt and what impact that will have on his budget predictions of April?

**Mr. Stefanson:** Mr. Deputy Chairperson, I guess, obviously we are concerned. There is a financial impact with the combination of interest rates going

up and any time our dollar goes down as well, because we know we carry some U.S. debt.

Again, we are in a somewhat fortunate position for two main reasons. One, we have some flexibility in terms of when we are going to the market, because we actually, if anything, have been somewhat ahead of the game in terms of our borrowing requirements, so we are not under any pressure to have to get in at a particular time when we see this tremendous volatility in the interest rates, like some of the other provinces. They have had no choice. They have had to go into the market. We have not had to. In fact, our current borrowing situation is in pretty good shape. So that is very helpful to us.

Also, a fairly significant amount of our borrowings is in short term, which, of course, is at the lower interest rate, so we have the opportunity to pick a window when we think it is appropriate to lock it in. Traditionally, like many economists, there are all kinds of projections as to what is going to happen over the next several months, a whole range of predictions, where our dollar will be at the end of next March. Several are still projecting reasonable strengthening, up to a dollar, between 75 cents and 76 cents. Some are projecting being down at 72 cents or 73 cents. It is still all over the map in terms of what the projections are.

Based on what has happened to date, the financial impact as of today, from my view, is certainly not something that we cannot deal with. It would be in the \$6-million to \$8-million range within a five-point-some-billion-dollar budget and total debt servicing of \$533 million. If that is the worst-case scenario, we can certainly find ways to deal with those expenditures during the course of this fiscal year.

Obviously, both of those issues do cost us, and I think we, like everybody, would like to see lower interest rates and a stronger dollar.

**Mr. Edwards:** What was the average interest rate for the fiscal year '94-95 and the average dollar value that was used in the projections for the budget?

**Mr. Stefanson:** Mr. Deputy Chairperson, I believe the average rate for '94-95 is about 8 percent, and

the expected dollar projection at fiscal year-end March 31 of '95 would be 76 cents.

I should just point out, while we are on this, that we, of course, have issues coming due, and some of those are from the fairly high interest rate period of the early '80s. We have one coming due shortly at, I believe it is, 12 percent. Obviously we will be refinancing that probably somewhere in the 7 percent vicinity. We had one that came due in March that was at 14.75 percent, I think it was, that again we were able to refinance at 6.25 percent—the one that had been at 14.75. Again, those kinds of things are certainly an offset and are helping significantly in terms of our debt servicing.

**Mr. Edwards:** When issues are refinanced or new issues are purchased to finance the debt, what are the guidelines, what is the protocol for determining in what currency to place that debt and for what term? Obviously there is a wide range of options available. We have money in deutschemarks and yen and American dollars and Canadian dollars. Is there some document, is there a protocol for doing that? How does it actually work? Is it dependent on the size of the issue or what its purpose is? Is there some guidance the minister can give us on that?

**Mr. Stefanson:** Mr. Deputy Chairperson, no, there is no document or guidelines that I can provide the member with. A series of issues that are looked at whenever we are having to borrow money—obviously what markets are in the market for paper, where we can likely sell our paper, again, obviously what the interest rates would be in those markets, where we can borrow at the lowest rate.

I should say that our overall objective is to do the maximum amount of borrowing in Canadian dollars. When we formed government back in 1988, approximately one-quarter of our debt was in non-North American, non-Canadian, non-U.S. Today, none of it is. All of that has been swapped either into Canadian or U.S. So all of our debt today is either in Canadian dollars or U.S. dollars. On an overall basis, if you bring in our Crown corporations, MTS, Hydro, the ratio is about 55 percent Canadian, 45 percent U.S., but even on

that 45 percent U.S., we hedge some of it because Manitoba Hydro has some U.S. revenue from export sales. I think about a third of that is hedged through direct revenue sources in U.S. dollars. That is a policy that we want to stay in, ideally the Canadian market but if not, the U.S. dollars.

Just to conclude on that point, that does not mean that you will not see us borrowing in Japan or some other markets where we will do a currency swap back into either U.S. or Canadian currency. We did a samurai issue last fall but we swapped that one back into U.S. dollars. So all of our exposure is either in U.S. or Canadian dollars.

**Mr. Edwards:** Just to clarify, the preference is primarily for Canadian dollars. That is the first choice. Not Canadian or U.S. equally, but the preference is Canadian dollars.

**Mr. Stefanson:** That is correct. The preference is Canadian dollars.

**Mr. Edwards:** With respect to the Builder Bonds—and we have had comments in the House about that and it has obviously been a very successful program—what is going to happen with that? What is the plan of the government, to expand or enhance that, or does the government sense that we have maximized the potential for that with respect to the local market? What is the government's current plan for increased use of that particular plan?

**Mr. Stefanson:** Mr. Deputy Chairperson, we certainly would intend to carry on on the basis of doing it on an annual basis. It has served us very well, as the member indicated, to date. This year we are somewhat over the \$300-million mark. Last year we were about \$340 million and so on. It has been an excellent source of capital, Canadian dollars here in Manitoba, interest going to Manitobans.

\* (1110)

It is like anything else. There is only so much capacity. We certainly would continue to watch that to see if there is more capacity, but so far we feel an annual issue served Manitoba Hydro very well. It is serving us very well, and we would expect to continue with either Builder Bonds in the future or depending on Hydro's needs,

conceivably a HydroBond in the future but, at a minimum, an annual issue somewhat along the lines of what we have been doing.

**Mr. Edwards:** Can the minister just indicate, and perhaps this was outlined at the time and it escapes my memory, what was the commission paid this last year on Builder Bonds?

**Mr. Stefanson:** Staff will check to be sure that we give the exact amount. If we can carry on, we will come back to it.

**Mr. Edwards:** Continuing on the idea of bonds and the retention of dollars within our economy here in Manitoba, does the minister have, does the department have information or an assessment of the level of investment yearly, annually, by Manitobans, individual Manitobans, in various stock or bond vehicles in any given year?

I guess what I am getting at, if I can just share with the minister, I had spoken to those who are in the industry selling RRSPs, some of the majors represented here in Winnipeg. I had received a guesstimate from them of about \$640 million in new direct investment by Manitoba citizens in RRSPs or other pension vehicles. I am just wondering if that is tested or if that type of information is assessed by the Department of Finance.

**Mr. Stefanson:** We do not do anything in terms of quantifying that internally. We utilize whatever industry reports are available, information provided by the financial community in Manitoba in terms of what is happening with Manitobans investing their money here in our province.

**Mr. Edwards:** What is the current information, then, that the Department of Finance has from those sources on the level of investment in, say, the last year, if that information is available, by Manitobans specifically through RRSP investments, and, I guess, secondarily, through other pension investment vehicles, and, of course, you get the global picture, including just other normal stock and bond purchases?

**Mr. Stefanson:** The department will source it and, hopefully, provide it either while we are still here or as soon as possible.



**Mr. Edwards:** I appreciate that. The other question which, again, is not easy to nail down, but, I think, is an important one to at least get some grip on, is: What level of our investment dollars from Manitobans is retained? I do not know how that is measured, if at all. Again, the people I speak to in the industry make speculations about it, about the percentage of investment dollars that either are initially placed here or make their way back here to the local economy. Is that type of information assessed or available in the department?

(Mr. Ben Sveinson, Acting Deputy Chairperson, in the Chair)

**Mr. Stefanson:** We will undertake to provide as much information as we can around that issue as well.

**Mr. Edwards:** The idea of an expanded stock exchange for this region has been canvassed for many years by some in government, but others in the investment community. Of course, there is an exchange here; there is an exchange in Alberta. Has the Department of Finance done studies into the establishment of an exchange on a regional basis in the prairie region or in the western provinces? Has any of that happened, or have there been discussions with the current group that does exist, which I have met with, of local business people in Winnipeg who are promoting the idea?

**Mr. Stefanson:** Mr. Acting Deputy Chairperson, this was an issue that I have had the department do some review of, and they have had some discussions with individuals here in Manitoba. Of course, the exchange in Manitoba is, in effect, owned by the members.

My understanding and what I am being told from those discussions is that the members themselves did not necessarily see a significant value to one consolidated prairie exchange and also suggested that, particularly out of Alberta and B.C., there was even some potential resistance to that idea. But what they do say as being beneficial is that, with computerization and linking between the Winnipeg exchange and other exchanges, that can significantly enhance their ability to service Manitoba.

So any co-operation between them could certainly be an improvement in terms of opportunities in Manitoba, but so far I am told from what we have looked at and from what individual members have suggested that there is not necessarily the significant benefit or the will, in many cases, to go to one consolidated exchange.

**Mr. Edwards:** With respect to the move nationally to co-ordinate Securities' rules and make Securities' regulation a national, to bring it together across the country, which, I think, is primarily being promoted by the banks as they have now moved seriously into this area, has the Minister of Finance or the department had discussions with fellow representatives on this? What is the position of the department and the government at this point on that suggestion?

**Mr. Stefanson:** Mr. Acting Deputy Chairperson, technically, the majority of that issue is being dealt with by Consumer and Corporate Affairs because of the Securities Commission, but we are involved and particularly it is one of the issues being looked at under this whole issue of overlap and duplication through Mr. Masse, the federal minister responsible.

Again, our initial review of it is that there is no real benefit to Manitoba. The benefits are through the co-operation, through the information system nationally and so on, in terms of the sharing of information and, again, computerization. But, in terms of the reaction from Manitoba businesses and our own initial review, we do not see that there is a benefit. In fact, there is potentially even some downside in terms of access to opportunities out of Manitoba by not having some presence here in our province, and that would be the concern.

\* (1120)

I think if you went to a national, you would have every province, of course, saying they would like to see that occur in their province, which would significantly benefit that province directly, but then provinces that would potentially lose resources or presence, obviously, would be potentially diminishing the opportunities in their province.

So, in terms of the review we have done to date, we do not see that as the one national security commission as making a great deal of sense, but we do support greater co-operation, greater sharing of information, the systems being in place. I am led to believe that there have been significant improvements in that whole area already in the last year or two in terms of a discussion I had with the chair of the Securities Commission not long ago.

**Mr. Edwards:** With respect to the potential downside to Manitoba for moving in that direction, it is my understanding that one of the concerns of those who are involved here, most notably, I think, the Investors Group and some of the others who have spent a lot of time and effort developing a fairly broad base of representation across the country—that this would erode much of what they have built.

One of the concerns raised was the licensing of brokers and the continued need to retain that right on a provincial basis so that you can maintain the direct link, local link, between a responsible authority, licensing agents and the ultimate customer. I think I see a lot of merit to that concern.

However, the other side of this is a bit like the GST argument the minister was talking about. In principle, there appears also to be logic to a standardized set of prospectus rules rather than a patchwork. Is there any way of distinguishing those two? Are there local concerns about moving towards a national filing set of regulations?

**Mr. Stefanson:** I think what the member has outlined is correct that there is a will and support for moving to a national standardization but still retaining the presence and the control within the provinces, and that what we are being told is that would be more than satisfactory to the business community and address the most significant problems in terms of issues across Canada and the whole issue of overlap and duplication.

I should just point out as well, when we met as western Finance ministers in Gimli just a month or two ago, it appears—again I cannot speak for each province individually, but there seems to be consensus that the national securities commission

is not something that is mustering much support—more along the lines of what we have just discussed.

**Mr. Edwards:** I think that has probably been the case in the past, but seemingly the banking community is fairly influential it would seem, history has shown us. I guess it is an ongoing issue that I think I am sure the minister is—but it needs close monitoring simply in terms of the local impact. Manitoba would not be alone in that, obviously.

The other, we talked a little bit earlier about the Winnipeg Exchange which is member owned and the move towards an exchange on a regional basis. One of the problems with the exchange situation as it currently exists is that—and I saw this reported recently—there are currently 12 which you can define as Manitoba companies listed on the Toronto Stock Exchange.

Obviously, I am sure you could go into a lot of debate about that, but the truth is that our business community looking for venture capital is not usually of a size—or looking for capital—that is suitably served by that exchange which tends to be an exchange that has a fairly high buy-in, if you will, simply because of the cost of going through the procedure in a much larger exchange.

What can be done to enhance the availability of venture capital for our business sector which is looking for generally much smaller amounts of money, and in this, I would ask in the context of putting the investor in direct touch with the business or entrepreneur? We have the Grow Bond Program which is good, we have the Vision Capital Fund, we have Western Diversification. All of these funds, they all have appointed boards which judge these projects; they all have, in many respects, mandates. The Crocus fund as well.

It seems to me that the ideal situation that we want to have occur is a direct link between individual investors in Manitoba, not necessarily those looking to invest hundreds of thousands or millions of dollars, because they of course can always find their way, but those who are looking to place smaller amounts of money on an individual basis and may be moved and motivated to leave

the money locally, given the proper vehicle to do that.

That to me has been proven by the success of the Crocus Fund, by the success of the Grow Bonds and by the success of even the Builder Bonds program. There is a high level of motivation to leave the money here. What can be done within the exchange framework, if anything, to enhance that in this province?

**Mr. Stefanson:** Mr. Acting Deputy Chairperson, again, I guess I share the point or the concern being raised. We are pleased with many of the strides we made, as the member has outlined, whether it is Crocus or Vision or Grow Bonds, which create opportunities for capital for business opportunities.

As the member knows I think from a previous question in the House not long ago, there is a capital market task force which is scheduled to report fairly soon. Their mandate was fairly broad but this was all part and parcel of it. I believe the honourable member read from their mandate or a press release at the time not long ago during Question Period, so I anticipate that a great deal of this will in fact be addressed in that task force. When we receive that report then we will all have the opportunity to decide what we think makes sense to move forward with. I think there is, I do not know if I would use the word "void," but there is potentially a need in some of these areas to create more access to capital. I am optimistic that the task force will provide some direction, some information and some recommendations in some of these areas.

**Mr. Edwards:** When might we expect that report and, I guess, while the minister is at it perhaps he can comment on when we might expect the other report on the regulation of small business and problems. There are those two committees which are going. What is the timetable for receiving those reports?

(Mr. Bob Rose, Acting Deputy Chairperson, in the Chair)

**Mr. Stefanson:** I know members always like to get a very definitive date and usually do not. Other than saying that they are both expected very soon, my understanding is that both are progressing well

and are very close to being able to come forward with their reports. We are not talking many months. I think we are talking weeks in terms of both of those reports.

**Mr. Edwards:** Just one other area and then I know the member for Brandon East has questions as well.

It is my understanding—I saw it reported recently and I was not really aware of this prior to that—that the Province of Manitoba is receiving compensation payments from other provinces for the tobacco tax assessed losses from the Manitoba perspective.

Can the minister tell us how much is being received, from which provinces, and what is the basis of calculation of those amounts?

**Mr. Stefanson:** It is really the three western provinces sharing in the enforcement side of the issue, not the revenue side, but the enforcement side. It is on the basis of a quarterly review and it is on the basis of incremental cost to us over and above additional costs we are incurring as a result of enhanced enforcement.

The agreement is to review it quarterly and each province would contribute \$60,000, so \$180,000 from the three provinces per quarter. We have received concurrence with the first quarter, which was the end of May, and we will continue to do whatever enforcement we deem necessary and then as the next quarter unfolds determine how much that cost was to us and go back to the provinces with a maximum contribution of \$60,000 per province.

\* (1130)

**Mr. Edwards:** Just to clarify, that \$180,000 represents a pool of money put in by the three provinces each quarter which is then allocated based on increased expenditure. Is Manitoba, the province making that increased expenditure or are others as well or how is it allocated?

**Mr. Stefanson:** Mr. Acting Deputy Chairperson, it is on the basis of our costs because again I think I am stating the obvious that we were viewed as the gateway to the west in terms of this issue. So individual provinces might be incurring some

changes in terms of their own enforcement, which they will be incurring from their own resources, but this was on the basis that to deal with the Ontario-Manitoba border, we were going to have to allocate additional resources, and the provinces agreed that they would contribute what amounts to roughly three-quarters of the cost towards that particular enforcement, that incremental enforcement. I am not sure if I—

**An Honourable Member:** B.C. is in it too?

**Mr. Stefanson:** B.C. is in it, too, yes. B.C., Alberta and Saskatchewan each contribute \$60,000. So roughly the costs are estimated at \$240,000 a quarter to be reviewed and monitored on an ongoing basis based on need and then to discuss with them their contribution.

**Mr. Leonard Evans:** I wanted to get back to the GST question just for a moment, but perhaps before I do so, I will carry on where Mr. Edwards left off, and that is, recently, what has been the impact on tax revenue from tobacco sales for the Province of Manitoba? Has there been any slippage in this respect because of the illegal imports, or whatever the expression is, of tobacco, cigarettes from other provinces?

(Mr. Deputy Chairperson in the Chair)

**Mr. Stefanson:** Mr. Deputy Chairperson, when we looked at this at the outset of the year, StatsCan was suggesting that they anticipated tobacco sales to go down by about 3.5 percent, I believe, just because of less people smoking. To date, our revenues for the four months now that this has been in place, February, March, April and May are down about 5.5 percent. So if you say that the expectation is it would be about 3.5 percent anyway as a result of slippage—I mean this is fairly subjective—but potentially a couple of percentage points as a result of the problems at the border.

So by and large, we are quite pleased with that because, again, as the members know, I think, if we were to adopt the Ontario or Quebec approach, we would have had to reduce our tobacco tax revenues by about two-thirds, some \$70 million to \$80 million. So while we do not like to see any erosion of the income that could be put to good use

in Manitoba, compared to the alternatives, we still feel very strongly that we are on the right course, and with the co-operation that we just discussed with the western provinces, that is extremely helpful as well.

**Mr. Leonard Evans:** As I said earlier, we support the minister and the government in this particular initiative.

It may be difficult for the minister to tell us, but cigarettes do get transported in illegally, I suppose, by land, but they can also come by air, and they can come through the post office. Do we have any idea of how much is being imported by postal service at the present time?

**Mr. Stefanson:** Mr. Deputy Chairperson, that continues to be a problem area, as I think the member knows. We have had at least one fairly significant seizure in that area, but we have been working with Health and Welfare Canada in terms of the advertising issue because it is illegal to advertise, so that has helped deal with the distribution through the postal system.

Actually, the federal legislation that is before the House, the Ways and Means motion, when passed, which I understand is to be passed any day now, will significantly help because it will make it illegal for any retailer to distribute product by the postal system into another province. So in terms of any commercial operations that should, for all intents and purposes, with the enforcement side, co-operation with the federal government, should eliminate that.

That has been one of the more difficult areas to deal with because of the lack of legislative authority and just the nature of the distribution of the product.

**Mr. Leonard Evans:** I guess there are questions of the rights of the individuals to send material and messages through the mail and all that, so there is that big issue of human rights or whatever that always seems to creep up.

But I am glad you mentioned about the advertising because I have had complaints by people who are in the business of selling tobacco products that people have been advertising really illegally that they have cigarettes for sale. You

know, phone this number. They say they cannot advertise cigarettes for sale in their retail tobacco shop, yet others seem to be able to do that.

The minister is telling me that that has been eliminated or stopped, virtually, by the Department of Health and Welfare.

**Mr. Stefanson:** Mr. Deputy Chairperson, as soon as we become aware of any ad in any newspaper, we inform the federal government and the RCMP, and under the legislation that currently exists that ad has been pulled literally immediately. So that has been helping deal with the situation, and as I say, with the additional legislation that will help some more, although you did raise the interesting point.

What the federal legislation will do is it will preclude any retailer from distributing product into Manitoba through the postal system, but it would not preclude an individual necessarily from mailing themselves some cigarettes, except for the fact that if they were then found in possession of more than one carton, they would be in contravention of The Tobacco Tax Act, so there are still issues around that whole postal system, but the fundamental part of Ways and Means will significantly help in terms of people who are trying to profit from distributing.

There are various amendments when we get to our Statute Law Amendments, there are some amendments in there that would help in terms of going to a marked product in Manitoba. We are going to a marked tear strip like Ontario, Quebec, B.C. currently have. Alberta, Saskatchewan and ourselves, we are all going to a separate marked tear strip, hopefully as early as this fall or certainly early next year.

**Mr. Leonard Evans:** Well, there is a lot to this issue, and there are many things that can be done. There is a lot of frustration. I know, for instance, a lot of people travel by plane and visit Toronto for business reasons and so on. I guess there is nothing preventing them from bringing back a couple of suitcases full of their favorite brands, but who knows?

\* (1140)

**Mr. Stefanson:** Just on that, I will be very brief. I think Manitobans have been very good on this issue, by and large. I mean, I think they recognized the issue, recognized the legal requirements. Certainly, from what we are seeing of our revenues overall, the vast majority are continuing to make their purchases in Manitoba in probably whatever was their traditional way of purchasing cigarettes.

**Mr. Leonard Evans:** Mr. Deputy Chairperson, that is good to hear.

Just getting back on the GST issue. I wanted to draw the minister's attention to this article by Neil Brooks entitled, A Liberal no-alternative tax alternative, subtitled, Preparing to axe the Tax. He comes up with some interesting suggestions—maybe your staff have seen it, I do not know—as to alternatives, because he uses an estimate of \$18.6 billion of collections from the GST. I do not know exactly what year it is but, you know, give or take the last year or so.

Of that 18.6 he would account for 5.6 through spending offsets. For example, you have to give GST rebates to what he calls the MUSH sector, that is the hospitals, municipalities and so on, I guess, refundable GST sales tax credits, GST paid by government, reduction in index transfer payments and the costs of administering the GST which is \$.5 billion itself. You add up all those, and there is \$5.6 billion of the 18.6 from that source. Then he suggests \$3 billion could be accounted for by excise tax offsets with regard to alcohol, tobacco, gasoline and automobiles. You know, you eliminate the GST, but he would come forward with an excise tax to virtually keep the same amount of tax, for instance, from alcohol or cigarettes or whatever. Then he finds another \$5 billion from new spending cuts, and these are areas such as business meals and entertainment, employer fringe benefits, ordinary capital gains, dividend tax credits, tax write-off for capital equipment, et cetera, and he elaborates on it.

Well, you can have a discussion whether these are good or bad, but this is what he is proposing, that there are specific areas that you could find \$5 billion. Then he suggests there should be some new taxes brought forward, an energy tax, and he

argues that this is good for environmental reasons, and a wealth tax where you would find \$2.5 billion. Either that or he suggests another 2 percentage points increase on income tax rates which would give you \$5 billion as opposed to \$2.5 billion from an energy tax and \$2.5 billion from wealth tax. That adds up to \$18.6 billion.

He suggests there are a lot of benefits from this alternative. Small business would be spared billions of dollars they now waste in complying with the GST. Canadian retailers would only have to collect about the same amount of sales tax as their American competitors. I guess he has done a bit of a study there. The provinces would be free to occupy the sales tax field without federal government interference. Low- and middle-income Canadians will see their tax liability substantially reduced. Environmentalists would be given an important instrument for reducing carbon and energy usage, and there would be a positive macroeconomic effect, you know, the fact that you are lifting a sales tax off of consumers so that presumably they would spend more and stimulate the economy.

Then his last point is, it should appeal to those who want to reduce the size of government since it would get rid of a number of inefficient federal spending programs.

So I thought the article was rather intriguing. He is professor at the Osgoode Hall Law School in Toronto. At any rate, I would just hope that Manitoba could go to the conference or whenever it discusses this with the federal authorities and put forward what I think is a rather attractive alternative. I am not saying that is the alternative, but it is, you know, very imaginative and I think Canadians would by and large welcome it.

**Mr. Stefanson:** Just on that, Mr. Deputy Chairperson—and I think you indicated you were going to make copies for members of the committee—we are certainly more than prepared to forward that kind of information.

I guess, putting this issue in perspective, as I said, we currently have a tax regime in Manitoba that we are not getting an awful lot of complaints on, and when it comes to our PST it is not as

though we are generating or getting a lot of complaints. People understand how it is applied. It is generally accepted. It is the second lowest rate in Canada. So I guess what I am leading to is the point that we have a GST, a federal tax, we have the new government that made a commitment to do something with it, replace it, were the words that were used.

As much as we are prepared to provide information with them and offer up suggestions, it is an issue that is fundamentally theirs. It is currently their taxation revenue. It is their issue of making any changes that they deem to have to make to it to stay revenue neutral and all of those kinds of things.

We are prepared to try and be co-operative, but we are also not going to be drawn into doing something that we think is not in the best interests of Manitoba. That is why I come back to—at this point in time, we have not seen any good and valid reason to support harmonization. In fact, without getting too detailed in terms of the discussion paper, you mentioned the MUSH category, the municipalities, the universities, the schools and the hospitals, and my understanding of the document when it talks about getting down to this 5.3 percent, it is on the basis of basically eliminating the rebate program that exists there. So there are many issues, ripple effects of some of these decisions, that end up either costing consumers or costing us as a provincial government, conceivably, or other levels of government.

As I say, we are prepared to share information and so on, but it is a problem that the federal government really is the primary level of government that has to resolve its commitment that they made, and we will try to be helpful in whatever way we can.

**Mr. Leonard Evans:** Mr. Brooks was not being critical of the provincial sales tax regime. In fact, he even says it gives the provinces more flexibility, more room actually, in this field if the federal government got out of the GST or any sales tax alternative to it. He states that the provinces would be free to occupy the sales tax field without federal

government interference. I think that is of some advantage to the provinces.

At any rate, there are some other points—we have not got very much time—I just want to quickly go over them. I am concerned about the monitoring of the rates that the government pays for computer services that used to be offered by a Crown corporation called Manitoba Data Services, which was sold a few years ago, I think, to ISM. There have been various name changes, but I think the minister knows of what I am talking about. It was given a monopoly. When it was taken from the public sector and put in the private sector, that new private firm was given a monopoly of these services.

What I am concerned about is whether we are continuing to effectively monitor the rates that company is charging us. I guess the term is a monopsonist, when you are one seller—or one as opposed to a monopoly, but it is the same effect.

**Mr. Stefanson:** The short answer is, yes, we do continue to monitor. There are contractual arrangements with ISM that I would have to confirm the expiry dates but will be expiring over the course of the next year or two. Obviously, we will be reviewing the entire situation at that time in terms of outsourcing, in terms of what we are doing internally and so on. So, yes, we do review the rates and continue to ensure that we are getting the best value possible.

**Mr. Leonard Evans:** Well, I am glad to hear that, Mr. Deputy Chairperson, and I do understand that the agreement is almost up, within the year, I think. At any rate, I trust the government would look, I guess as the minister as hinted, at options, because there is nothing like a bit of competition to keep prices down. I do not know how you go about this.

\* (1150)

Of course, there is always the other option of the government taking over some of these functions again if that is more efficient and is cheaper for the government. This organization, this computer service ultimately, I believe, came out of the Manitoba Telephone System, and it was carved off as a separate corporation under Sterling Lyon, as a separate Crown corporation.

So I know there is capacity in MTS, or could easily be capacity again, to provide perhaps similar services. I am not an expert in this matter, but I am concerned that we do not pay excessively for that service.

Another area that I am concerned about is the function of the Auditor. There is a bill before us, a very minor bill, but it got me thinking about the privatization of the auditing function that has occurred, some of which gives me concern.

I appreciate there has always been some private auditing going on, but I am concerned about the Special Operating authorities, which is a relatively new organizational phenomenon in our midst. I understand these Special Operating authorities have all gone to private auditors.

I wonder if the minister could confirm this, and if this is the case, why is it the case? Why would we not use the Provincial Auditor to monitor or audit these Special Operating authorities, which virtually are a new legal entity that operate within the department anyway? They are really part of the department, but legally they have a separate existence.

**Mr. Stefanson:** Mr. Deputy Chairperson, I will have to confirm. I believe that the two SOAs that have been up and running for a period of a couple of years now are utilizing external auditors. Of course, we announced two new SOAs in this budget. As to the status of the auditing function, I would have to confirm where that is at. But we do believe in utilizing a blend of our Provincial Auditor and allowing opportunities for the many Manitoba companies that are in that field to derive some work from government.

There is nothing precluding the Auditor from still doing an overview of any entity basically of government, which we have seen in a whole range of areas, even though an entity might have an external auditor do what is called the attest function. We still might have the Provincial Auditor perform some function if either we deem it necessary as a government or sometimes from the Public Accounts committee or whatever.

**Mr. Leonard Evans:** I understand the three community colleges that have now their own

boards of governance have gone to the private sector, have not utilized the Provincial Auditor. This is strange when the universities in Manitoba, which are certainly more independent in my view than the colleges still, could have gone to private auditors but decided to keep the Provincial Auditor throughout all these years.

We are not opposed to using some blend, but I am concerned that we are going too far in reducing the services of the Provincial Auditor, especially if those services could be provided more cheaply.

**Mr. Stefanson:** Mr. Deputy Chairperson, earlier the member made reference to the competitive market when we were talking about ISM, and certainly when we do go to the private sector for audits, I am sure it is very competitive. I know that is a very competitive field these days, like so many, and that we are getting good value.

I do just want to make the distinction that when we utilize external auditors, it is to do what is called the attest function, which is attesting to the accuracy of the financial information put forward. Often, when we utilize the Provincial Auditor as government or on behalf of the members of the Legislative Assembly, it is for a program review or project review and so on. So there is, in some respects, a distinction, and it does not, as I said, preclude us from utilizing the Provincial Auditor in those kinds of respects.

Just very quickly, while we are on it, you will notice we are consolidating the internal audit function into one central agency under Finance. Our view there is to use the internal auditors much more significantly for value-for-money audits, operational audits and value-for-money audits, which help governments, obviously, ensure we are getting the maximum value from the dollars we spend.

**Mr. Leonard Evans:** I do not know whether this is related, but there is an amendment before us where the Provincial Auditor is removing herself, her staff, from the pretest auditing. It may be related to that.

**Mr. Stefanson:** Very quickly, Mr. Deputy Chairperson, that is simply getting the Auditor out of what is called a preaudit function on the review

of invoices. We were the only province, I believe, left in Canada that was still doing it, and with the staffing and sophistication we have within departments, the Provincial Auditor herself is recommending that there was no need for them to perform that function. So that is the issue, I think, the member is referring to.

**Mr. Leonard Evans:** Another issue with the Provincial Auditor, advertising guidelines, I am thinking of political or what could be deemed to be political or quasi-political advertising by a government. I believe the minister was going to look into this. I wonder if he could comment on that. We are coming up with guidelines or some directions to the departments with regard to advertising expenditures.

Every government is tempted to put forward the best face on programs and like to say, here are programs and so on, but you have to be very careful because at some point you can get to end up just telling people what a great government you are rather than providing program information which is legitimate so people can take advantage of whatever new programs there may be or any program changes.

**Mr. Stefanson:** Mr. Deputy Chairperson, I think the Leader of the second opposition party asked this just the other day in the House. I do have staff looking at the entire issue, as I responded then, and I had it confirmed again yesterday. No provincial government and the federal government do not have advertising guidelines in place along the lines of what we are currently discussing.

We received some information from the Provincial Auditor at the end of April, and it is something that I am having my staff do a thorough review of, and we will come forward to address that issue, hopefully fairly shortly. So it is something we take seriously and we are looking at, but it is very much something that is not currently in place. I guess in many respects—the member was a member of government—often if governments cross the line in those areas, there are also many other ways of accountability right in our Chamber, through the public, through the media and the whole range if it is deemed that



governments are crossing that line in terms of politicizing information that they are providing.

**Mr. Leonard Evans:** Yes, I appreciate other jurisdictions may not have guidelines, but there is nothing wrong with Manitoba leading the way or trailblazing or whatever.

Just on a couple of other quick issues because I know we want to wrap it up at noon, what about the holding of Manitoba's debt? A couple of years ago we discussed this, and there was a policy change to not sell bonds offshore as much as had been done in the past. The reason it had been done to the degree it had been done in the past is because of the interest rate differential. It was very attractive to borrow at low rates abroad, but there is more risk because of foreign exchange fluctuations.

**Mr. Stefanson:** Mr. Deputy Chairperson, without being repetitive, that was asked, unfortunately when the member had to leave for a few minutes. So I outlined the percentages and maybe that is sufficient. It is on the record and the member can read it.

**Mr. Leonard Evans:** One other question, and then we can get on with the technical passing of it, and that is the credit rating. Credit rating takes hit. Stefanson furious, it says, in this story. National bond agency cuts Manitoba's grade.

Now, I do not know. There are several agencies, and this may not be one of the best, I do not know. I do not want to make judgment. I guess the minister does not—I am sure the minister does not consider it one of the best, but it is called the Canadian Bond Rating service. How are we doing with the other agencies? Have there been any recent ratings?

**Mr. Stefanson:** Well, I could go on at length, Mr. Deputy Chairperson, but just to be very quick, I am not sure Paul Samyn has seen me furious or heard me furious for that comment in the paper, but I was concerned because when we look at all of the economic indicators in terms of what we are doing with debt and deficits, we stack up very well within Canada. So I did not think we in any way warranted a downgrading from the Canadian Bond Rating service, but they did. They brought us down

to the same level as the Dominion Bond Rating Service has us and I believe brought us to a level the same as other provinces like New Brunswick.

So we were not pleased with that, but that is what they did. They pointed to concerns like transfer payments and other issues. Dominion Bond Rating Service has done a review of ours and have reconfirmed our credit rating. In fact, they were very complimentary. Again, they reconfirmed that we have been the most fiscally responsible government in Canada since 1987 and other very complimentary remarks in terms of what we are doing. We are continuing to meet and discuss with Standard and Poor's, and Moody's, and we will be receiving some responses from them in the near future.

**Mr. Leonard Evans:** Times are tough. It is tough to get revenue when the economy is not growing as you like it to grow, and even though you are squeezing expenditures, you can still have an increase in deficits. I just cannot help but note that the net debt of Manitoba as a percentage of the GDP is much higher in the '94-95 budget. It is 55.6 compared to what it was when the government was first elected in the '88-89 period. In '88-89 it was 49.0 percent. It has fluctuated a bit, but in terms of our gross domestic product, we are worse off than we were seven or eight years ago.

\*(1200)

**Mr. Stefanson:** I know we could debate this at length. I think, if the member checked, he would find that same pattern all across Canada, but when you look at our deficit levels, our deficit as a per capita basis, our deficit as a percentage of GDP, you will find—in fact, over the last seven years, our deficits as a percentage of GDP are the lowest in Canada. Our deficit per capita is approximately third lowest in Canada. So in terms of the last several years, I think, without becoming too political, a great deal of that problem goes back to a period of 1981 to 1988 that created some debt in our province, but there are many economic indicators. On the majority of them, I would suggest, we stack up quite well.

Can I just respond to the issue that the leader of the second party—it just takes one minute. The

commission that is being paid on the Builder Bonds are three-quarters of 1 percent, and the management agent fee paid to Richardson Greenshields, which were our agents of record, was one-tenth of 1 percent. If you wanted dollars, the one-tenth of 1 percent is approximately \$300,000, because we raised \$300 million, and the commissions would approximate \$2.2 million.

**Mr. Deputy Chairperson:** 1. Administration and Finance (b) Executive Support (1) Salaries and Employee Benefits \$351,200—pass; (2) Other Expenditures \$73,300—pass.

1.(c) Financial and Administrative Services (1) Salaries and Employee Benefits \$240,900—pass; (2) Other Expenditures \$66,500—pass.

1.(d) Human Resource Management (1) Salaries and Employee Benefits \$175,300—pass; (2) Other Expenditures \$61,500—pass.

#### Point of Order

**Mr. Leonard Evans:** On a point of order, do you have to read every line? Can you not do it clause by clause?

**Mr. Deputy Chairperson:** The honourable member did not have a point of order. We do have to go line by line.

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**Mr. Deputy Chairperson:** 1.(e) Information Technology Services (1) Salaries and Employee Benefits \$582,700—pass; (2) Other Expenditures \$67,200—pass.

1.(f) Payment Re: Soldier's Taxation Relief \$3,000—pass.

1.(g) Tax Appeal Commission \$20,000—pass.

Resolution 7.2: 2. Treasury (a) Administration (1) Salaries and Employee Benefits \$127,800—pass; (2) Other Expenditures \$123,100—pass.

2.(b) Capital Finance (1) Salaries and Employee Benefits \$292,000—pass; (2) Other Expenditures \$37,100—pass.

2.(c) Money Management and Banking (1) Salaries and Employee Benefits \$399,000—pass; (2) Other Expenditures \$403,900—pass.

2.(d) Treasury Services (1) Salaries and Employee Benefits \$423,200—pass; (2) Other Expenditures \$43,300—pass.

Resolution 7.2: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,849,400 for Finance, Treasury for the fiscal year ending the 31st day of March, 1995.

Resolution 7.3: 3. Comptroller (a) Comptroller's Office (1) Salaries and Employee Benefits \$119,700—pass; (2) Other Expenditures \$11,000—pass.

3.(b) Financial and Management Systems (1) Salaries and Employee Benefits \$504,400—pass; (2) Other Expenditures \$99,100—pass.

3.(c) Disbursements and Accounting (1) Salaries and Employee Benefits \$2,070,000; (2) Other Expenditures \$1,197,600—pass. (3) Less: Recoverable from other appropriations (\$526,600).

3.(d) Legislative Building Information Systems (1) Salaries and Employee Benefits \$426,300—pass; (2) Other Expenditures \$426,100—pass.

3.(e) Internal Audit Services (1) Salaries and Employee Benefits \$1,366,500—pass; (2) Other Expenditures \$239,900—pass.

Resolution 7.3: RESOLVED that there be granted to Her Majesty a sum not exceeding \$5,934,000 for Finance, Comptroller, for the fiscal year ending the 31st day of March, 1995.

Resolution 7.4: Item 4. Taxation (a) Management and Research (1) Salaries and Employee Benefits \$822,400—pass; (2) Other Expenditures \$105,700—pass.

4.(b) Taxation Administration (1) Salaries and Employee Benefits \$2,420,400—pass; (2) Other Expenditures \$1,578,900—pass.

4.(c) Audit (1) Salaries and Employee Benefits \$4,977,400—pass; (2) Other Expenditures \$828,600—pass.

Resolution 7.4: RESOLVED that there be granted to Her Majesty a sum not exceeding \$10,733,400 for Finance, Taxation, for the fiscal year ending the 31st day of March, 1995.

Resolution 7.5: Item 5. Federal-Provincial Relations and Research (a) Economic and Federal-Provincial Research (1) Salaries and Employee Benefits \$987,600—pass; (2) Other Expenditures \$315,500—pass.

5.(b) Manitoba Tax Assistance Office (1) Salaries and Employee Benefits \$264,100—pass; (2) Other Expenditures \$56,500—pass.

Resolution 7.5: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,623,700 for Finance, Federal-Provincial Relations and Research, for the fiscal year ending the 31st day of March, 1995.

Resolution 7.6: Item 6. Insurance and Risk Management (a) Salaries and Employee Benefits \$214,300—pass; (b) Other Expenditures \$31,300—pass; (c) Insurance Premiums \$1,647,500—pass; (d) Less: Recoverable from Other Appropriations (\$1,634,500)—pass.

Resolution 7.6: RESOLVED that there be granted to Her Majesty a sum not exceeding \$258,600 for Finance, Insurance and Risk Management, for the fiscal year ending the 31st day of March, 1995.

Resolution 7.7: Item 7. Treasury Board Secretariat (a) Salaries and Employee Benefits \$2,539,300—pass; (b) Other Expenditures \$552,400—pass.

Resolution 7.7: RESOLVED that there be granted to Her Majesty a sum not exceeding \$3,091,700 for Finance, Treasury Board Secretariat, for the fiscal year ending the 31st day of March, 1995.

Resolution 7.8: RESOLVED that there be granted to Her Majesty a sum not exceeding \$186,200,000 for Finance, Tax Credit Payments, for the fiscal year ending the 31st day of March, 1995.

Item 9. Public Debt (Statutory) (a)(1) Interest on the Public Debt of Manitoba and related expenses \$1,421,800,000—pass; (2) Interest on Trust and Special Funds \$62,000,000—pass.

9.(b) Less: Interest and Other Charges to be received from (1) Manitoba Telephone System

(\$84,300,000); (2) Manitoba Hydro (\$436,200,000); (3) Manitoba Housing and Renewal Corporation (\$45,600,000); (4) Manitoba Agricultural Credit Corporation (\$23,200,000); (5) Other Government Agencies (\$9,200,000); (6) Other Loans and Investments (\$112,300,000); (7) Sinking Fund Investments (\$240,000,000). The total is (\$950,800,000). That was statutory.

Now it is Resolution 7.9.

Item 10. Expenditures Related to Capital (a) Legislative Building Information Systems \$310,000—pass. That is it on that one.

Resolution 7.9: RESOLVED that there be granted to Her Majesty a sum not exceeding \$310,000 for Finance, Expenditures Related to Capital, for the fiscal year ending the 31st day of March, 1995.

I will now return to the last item to be considered for the Estimates of the Department of Finance, item 1.(a) Minister's Salary. At this point, we request the minister's staff to leave the table for consideration of this item.

The honourable minister, you wanted to say something?

\* (1210)

**Mr. Stefanson:** Mr. Deputy Chairperson, I just wanted to ask a question. I was led to believe that we were going to deal with the enabling vote and the other appropriations. I am wondering if that was the understanding of the other two parties or whether the House leaders have agreed to do that. That usually is done by the Minister of Finance, the enabling votes, pages 148, 149, 150, 151, 152. I was led to believe we were going to try to deal with that, but I do not know what House leaders have said.

**Mr. Deputy Chairperson:** It would be a different item. It is a different item. The House leaders will have to bring it back.

We are now dealing with 1.(a) Minister's Salary \$20,600—pass.

Resolution 7.1: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,662,200 for Finance, Administration and

Finance, for the fiscal year ending the 31st day of March, 1995.

The committee rise.

### GOVERNMENT SERVICES

**Madam Chairperson (Louise Dacquay):** Good morning. Would the Committee of Supply please come to order.

This section of the Committee of Supply will be dealing with the Estimates of the Department of Government Services. Does the minister wish to make an opening statement? [interjection] Thank you. I was not aware that this section had already started. I apologize. Would the minister's staff please enter the Chamber?

We are on item 2.(b)(1), page 75 of the Estimates manual, Property Management (b) Physical Plant.

**Mr. Gregory Dewar (Selkirk):** Madam Chairperson, I raise one issue concerning the government waste reduction program. Can the minister tell us what percentage of government waste is the government able to recover and recycle?

**Hon. Gerald Ducharme (Minister of Government Services):** When I spoke on the budget I addressed some of those issues, and I will read you some of them again. I will give you the percentage. We have been successful in 20 percent reduction in waste flows to landfills. To give you an idea, we have several that we have been doing, the Refillable Cup Program. Newspaper recycling, we have done some newspaper recycling, it started in 1991. We have that implemented in 14 additional buildings.

We were involved in the collection of the telephone books. We had over approximately 14,500 telephone books were collected in Manitoba Government Services in '93. We were on a cardboard pick-up program where we got 22 government buildings involved. We picked up approximately 3,400 cubic yards of cardboard in 1993. To the member for Selkirk, the cardboard was expanded to the Selkirk Provincial Building, Selkirk Mental Health Centre, the Agassiz Centre, so we are doing it more across the province.

We have gone into a paper recycling program. We have gone into recycling in six government buildings in May of '90 and now we expanded into an additional 44 government-owned leased buildings. Maybe if they passed me the SOA on the automobile—we also recycle our tires. We recycle our oil and remaining paint cans. So we have been very, very active in the recycling.

I think I mentioned in my opening remarks that we have also been working quite a bit on the conservation of water program. So we actually as a department have been working more and more. I will give you an idea. The Agassiz Youth Centre in Portage, we renovated the pool drainage system because we knew that there was a water problem, and we did it for the conservation. Now we save an annual savings of 235,000 gallons of water in that one particular project by itself.

Our overall reduction in water consumption in '93-94 was about 7 percent. So we are continuing to work on the program of recycling.

**Mr. Dewar:** Does the Department of Government Services handle their own waste streams or is that contracted out?

**Mr. Ducharme:** Would you repeat that, please?

**Mr. Dewar:** I asked if the Department of Government Services handles their own waste streams or do they contract out?

**Mr. Ducharme:** We contract it out.

**Mr. Dewar:** What is the name of the firm that has that particular contract?

**Mr. Ducharme:** We have three or four, whoever is low on the tender. We do not contract it all at one time. We do it as we need it on certain areas, so whoever is the low will get the tender.

**Mr. Dewar:** It is my understanding that during the past Christmas break that the Woodsworth Building was closed, of course, to fulfill their reduced workweek requirements. Apparently, there were some water lines frozen. Will the minister confirm that happened? There was some damage to a number of floors.

**Mr. Ducharme:** Yes, there was. There was damage.

**Mr. Dewar:** Can the minister tell us what was the cost to clean up and to repair the damage from the rupture of the water pipes?

**Mr. Ducharme:** There was about \$15,000, but I know there was an article in a newspaper saying it was because of the people not being there during the break. That is not correct. It is a loading dock. We normally do shut off the systems, and, as a matter of fact, there were inspections every couple of hours. It was just a break that could happen anytime during the winter, not because it was between Christmas and New Year's.

As a matter of fact, we were going to even write; I forget the place that had written it up. Was it Tax Savings something? I do not know what the newspaper was, but I did inquire at the time with my staff. It was not a result of our being closed down between Christmas and New Year's. It could have happened anytime during the year. It was 30 below at the time, and it was at the loading dock area. It is just something that can happen.

**Mr. Dewar:** What steps has the minister taken to prevent such an incident from happening again?

**Mr. Ducharme:** Other than the two-hour inspections that we have, we cannot prevent it completely. We get probably, I am informed, about three a year out of our buildings. You have to remember, we have about nine million square feet of office and warehouse space that we control. So this is going to happen during the winter. We just cannot avoid it.

**Mr. Dewar:** Just one further question. Of course, the Remand Centre was constructed, I guess, under the operation of the Government Services department.

Can the minister give us an update as to how that building is functioning?

\* (0910)

**Mr. Ducharme:** I am not quite clear on what you mean by functioning, but when we opened the building up, there would be the small type of things that happen when people are getting used to a building. Right now, under our understanding as far as the mechanical building and the facility, it is operating very, very well. I am talking about

maintaining and the actual construction. There does not seem to be any fault in the construction, or there has not been any problem with movement of building or movement of walls. It has actually worked out very, very well.

**Mrs. Sharon Carstairs (River Heights):** Madam Chairperson, I just have a question on two areas in this section. First of all, can the minister give us an update on just what is happening with the Power Smart program with regard to the physical plant?

**Mr. Ducharme:** I just wanted to get an update on Manitoba Hydro. We have been working with them on the Power Smart program on four buildings. We have hired a consulting engineer to do an analysis and work along with Hydro. We will be completing that by October '94. The four buildings are in the rural areas.

In any of the new larger square footages—we just consolidated Energy and Mines and have gone into an old warehouse building in the industrial park area, converted it into office, and it was about 30,000 square feet. On that one, because of the largeness of it, we are working with Hydro on that one during the conversion purpose to see where we can save money. We will do that now on most of our larger square footages that we go into. We are looking at other amalgamations of square footages, and we will automatically bring Hydro in.

The pilot project is on four that are in the rural areas.

**Mrs. Carstairs:** I hope that an audit of the buildings will continue so that we can, in fact, make the best savings we can.

Just one other area, the minister has, in the past, I know put very high on his agenda, as I have always had on mine, the upgrading of the Manitoba Developmental Centre. A lot of good work has taken place there as a result, quite frankly, of his interest in this I think.

Can the minister tell us if any work is now happening on that particular facility?

**Mr. Ducharme:** I guess my interest starts at St. Amant, because St. Amant has an advantage. They have a very, very heavy family connection and a volunteer organization that they do not have at the

Manitoba Developmental Centre. We have a program there that we have been working on. It is a 10-year program to renovate and update. I will give you the figures.

The funding, to give you an example, just for '94-95 there is going to be replacement of the heating system in two of the cottages, barrier-free access to one cottage and upgrading of all the washrooms. The approximate amount of this one this year would be I think close to half a million dollars. I think the total over the—as a matter of fact I had that for the member for Portage (Mr. Pallister)—10 years is about \$7 million.

Anyone who has been in that building can appreciate why it is a priority. When you look at these people who have to suffer, and they were not the ones that had anything to do with it, and yet they complain about some of our prisons, I can tell you where my priorities are.

**Mrs. Carstairs:** I thank the minister for putting his priorities where they belong.

I congratulate the government, quite frankly. The buildings were a disgrace, and they have come a long way since 1988. I think that a lot of families are appreciative, but more importantly it reflects the humanness of our society that the living conditions of those people have improved.

**Mr. Ducharme:** I cannot take all the accolades because you have to—whether you agreed with the person's philosophical differences or not, the previous member, Ed Connery, was very, very involved, and Ed was a big pusher when it came to it. Actually it was Ed, I think, the first week that I was minister—that is three years ago—Ed got me out there right away and I could not believe the condition of the building even at that time.

**Mr. Dewar:** I want to raise some issues related to the contracting out of services. What areas of the operation of the Department of Government Services is the minister contracting out government services?

**Mr. Ducharme:** I will give you the philosophy. If we can do it in-house cheaper we will do it in-house cheaper, not only cheaper, but with good service and we will do that. If we can do it outside

and still provide the employment that is out there, we will do that.

To give you an example, our computerization servicing, we looked at that a couple of years ago and we found that doing it outside was far, far too expensive. So we brought it in and now we are doing that in-house, computerization upgrades and computerization repairs we are doing that in-house, we found it was cheaper.

I can give you a list of some of the ones that we are doing. For instance, air refrigeration we called 10 tenders last year because you can probably appreciate it is a specialized field, and also there is quite a broad amount of people that are out there that will do it. We used to give one-year contracts on those.

Custodial, we had one tender called last year. The elevator maintenance, we have multiple people that will do elevator maintenance, and as you can probably appreciate, again, it is because of the access to supplies quickly by them on elevator maintenance. Emergency power generator, we will even contract that out. Farm alarm services, we will contract that out. Some grounds maintenance when it is not feasible for us to do it, we will do that.

Janitorial, we will do some of that. We have a lot of contracts where even some families will come in, a husband and wife will come in and bid on some of the smaller contracts. We had one right across the street, the one in the park, Memorial Park, is being done by a small family. They bid it and they were cheaper.

Some parking enforcement, as we mentioned earlier, some of the refuse removal we will contract that out. We had four this year, whatever, two year with a third-year option. Security, we will contract some of our security out. As you can probably appreciate, some of the buildings we do not contract out for security, especially this particular building, and the Law Courts and the Judges' Chambers, that type of thing, we generally have stayed away from quite a bit of that.

The snow removal, because of the different areas that we have the parking lots, we will contract some of that out. The waste removal

again, and some of the water supply, but other than that, that is the contracting out that we will do.

**Mr. Ducharme:** Most of our catering we will probably contract out to people who come and will give you a specific contract for probably a three- or four-year term.

**Mr. Dewar:** I want to thank the minister for the answer. In terms of the security of government buildings, you mentioned that there were certain buildings that were utilizing private security. Can you give me an idea or tell us which buildings those are.

**Mr. Ducharme:** It would probably be easier to give you the buildings that we do not use. There will be several others that we do not use either; however, the Law Courts and the Legislative Building we do not contract out. Also we have a remote system. When we say we contract out some of the security, we also have a remote security system that goes around to several of the buildings. I do not know how many there are, probably in the city 14 or 15 buildings, and they are in a remote patrol vehicle. The main switch is here in this building where if there was a break-in—and those ones we do ourselves.

I will give you an idea. Here they are here. In-house security: the Legislative Building, the Archives, the Law Courts, the W.M. Ward Laboratory, Portage Provincial Building, Brandon Provincial Building, the Assiniboine Community College, Thompson Provincial Building, 1075 Portage, the Manitoba Developmental Centre and the Brandon Health Centre, we do not contract out. The rest we would probably consider contracting out.

**Mr. Dewar:** In terms of this particular building, the Legislative Building, will the minister provide us with a complement of the staff of this particular building? What I would like is the managers versus the actual security personnel.

\* (0920)

**Mr. Ducharme:** Okay, you want the officers on the 12-hour shifts. They are all on 12-hour shifts. We have one security supervisor at one time. We have three security service officers and one commissionaire. At night we have a security

supervisor and two security service officers. That is at each 12-hour shift. We have added, I am informed, additional commissionaires for parking.

**Mr. Dewar:** How many security supervisors are there?

**Mr. Ducharme:** We have a director over and above all that, Mr. Hines.

**Mr. Dewar:** Was there just the creation of two new managerial positions within the department here?

**Mr. Ducharme:** No.

**Madam Chairperson:** Item 2.(b) Physical Plant (1) Salaries and Employee Benefits \$17,951,900—pass; (2) Other Expenditures \$31,325,500—pass; (3) Preventative Maintenance \$161,000—pass; (4) Less Recoverable from Other Appropriations \$1,878,800—pass.

2.(c) Workshop/Renovations (1) Salaries, Wages and Employee Benefits \$1,924,100—pass; (2) Other Expenditures \$236,500—pass; (3) Workshop Projects \$2,575,000—pass; (4) Less Recoverable from Other Appropriations \$4,399,000—pass.

2.(d) Leased Properties (1) Salaries and Employee Benefits.

**Mr. Dewar:** Could the minister provide us with an update of the investigation of the Government Services Leasing department? I believe this was carried out a couple of years ago, in 1992.

**Mr. Ducharme:** I guess you are referring to a gentleman that was charged. Yes, the gentleman has been charged and has now served. Now apparently he is out on parole. Under the court, he was asked to pay back the amount that was involved. I think the amount was approximately \$70,000. He is no longer working for this department. It was a case of one individual involved and that was in regard to the renovations of a leased building that we were working at. That was the Housing building on Broadway.

It is unfortunate that you have employees that will do that. In this case I know the individual. I knew him quite personally, and I am sure right now he is regretting every minute of it, because he and his family just are really split over this. He has

not paid his debt back, but he is certainly going to have a tough time getting employment, unfortunately.

**Mr. Dewar:** The properties that the Government Services runs in the Gimli area, are those leased or are those part of the physical plant?

**Mr. Ducharme:** If you are talking about the industrial site, that has now just been transferred over, the final stages. We are just waiting for Environment Canada to give us a report. I believe that has just come in, and they will be taking that site over. The municipality of Gimli will be taking that all over except for the CN building and the air strip. We have leased that to them over 30 years. Other than that, they will be taking over the building. That was started by the previous minister back in '88-89. There were the lands that were in question, and now they will be taking it all over.

**Mr. Dewar:** The buildings and the complex at, I think it was called the Fort Osborne Complex, what is the current status of those buildings? I understand that they were sold.

**Mr. Ducharme:** The buildings were sold to the Winnipeg Jewish Council committee. They are going to move their cultural centre over there along with a school. They are going to have a senior home, will be the next phase. I think the total expenditure on the buildings was close to \$20 million, a beautiful piece of property. As you can probably appreciate, there are some heritage restrictions, so that would probably reduce the value that we got for the property.

We put it up for proposal a few years ago and that proposal fell through. Under this one, I think we only had two proposals and one of them was the Jewish community. We are very excited about them on that project.

**Mr. Dewar:** What was the selling price of that property?

**Mr. Ducharme:** \$2.2 million.

**Mr. Dewar:** The government is satisfied that was a fair asking price?

**Mr. Ducharme:** Considering the heritage problem, not heritage, but the restrictions on the property, as you can probably appreciate, if you go

to the site you will see the road and the way it is. There is quite a bit of property. You have to leave the frontage open to get to the administration building. That is in the middle of the property. So all this actually takes away from the monetary value of the property. We feel that it is probably as good as what we are going to do, and then also probably it does entice someone to invest \$20 million in a site and in a real nice area of the city of Winnipeg.

**Mrs. Carstairs:** Madam Chairperson, in terms of the Fort Osborne barracks properties, which buildings remain? I know the administration building has to remain. Are there any other buildings that have to remain?

**Mr. Ducharme:** Originally, I believe there were about five buildings to stay, and through the group that we met with, it ended up that when we put down the proposal calls, the powerhouse stayed, the main building, the administration building and—I do not know the name—there is a three-storey building on the northeast corner, that one stayed.

Of course, there is the restriction of where you build along the road also, the main road going in, so that the view of the administration building will continue from Tuxedo.

**Mrs. Carstairs:** From Tuxedo or from Wellington?

**Mr. Ducharme:** Wherever the large courtyards are. That is from Tuxedo.

\* (0930)

**Mrs. Carstairs:** Just for the minister's information, there will in fact be two schools there. Both an elementary school, Ramah School, will be moving there as well as Joseph Wolinsky Collegiate, which is the senior and junior high school.

**Mr. Ducharme:** We worked on this for a couple of years, and the unfortunate part, I was away when this turned over and I missed the opening of it, but I am sure that the group is very, very satisfied with their site. I think it will be a good addition to the area.



**Madam Chairperson:** Item 2.(d) Leased Properties (1) Salaries and Employee Benefits \$49,300—pass; (2) Other Expenditures \$52,282,200—pass.

Item 2.(e) Property Services (1) Salaries and Employee Benefits \$381,800—pass; (2) Other Expenditures \$251,300—pass; (3) Less: Recoverable from Other Appropriations \$253,100—pass.

Item 2.(f) Security and Parking (1) Salaries and Employee Benefits.

**Mrs. Carstairs:** I gather that the only building in which individuals are not paying for their parking is the Legislature. Is that correct?

**Mr. Ducharme:** Everyone that has a parking spot in the building pays \$30 or \$40 a month—\$40 a month. Everyone pays, even the MLAs all pay. If you have a spot, it is deducted from your cheque automatically.

**Mrs. Carstairs:** Well, then why did I get that cheque back?

**Mr. Ducharme:** It was before my time, but apparently they started the program, and then there was an arrangement made with the union that you should not have started so soon, and so they rebated the money. They said it was not negotiated properly. You got your money back that year for Christmas, remember?

**Mrs. Carstairs:** Why did we change the system? It seems to be now that we do not have to have the cards to indicate that we are parking in a certain spot.

**Mr. Ducharme:** Employees generally have cards. I guess they know your car, and I am sure George will not tag you. Also we would not tag someone using your spot, because yours is reserved and noted. If you came to the door and said there is somebody using my spot, then we would start to tag.

**Mrs. Carstairs:** I did not realize I was paying for it. Do I get a rebate for having been moved three times with the construction?

**Madam Chairperson:** Madam Chair is going to be very interested in this response as well.

**Mr. Ducharme:** I think we have all been moved. I know the Chairperson also has been moved quite a bit. No, you are not going to be reimbursed.

**Mrs. Carstairs:** Actually, I really did not think I was going to be.

**Mr. Ducharme:** Especially for someone who did not know they were paying.

**Madam Chairperson:** 2.(f) Security and Parking (1) Salaries and Employee Benefits \$2,499,400—pass; (2) Other Expenditures \$514,400—pass.

2.(g) Accommodation Cost Recovery (\$37,548,900)—pass.

Resolution 8.2: RESOLVED that there be granted to Her Majesty a sum not exceeding \$66,252,900 for Government Services, Property Management, for the fiscal year ending the 31st day of March, 1995.

Item 3. Supply and Services (a) Executive Administration (1) Salaries and Employee Benefits \$169,500—pass; (2) Other Expenditures \$18,200—pass.

3.(b) Government Air Services.

**Mr. Dewar:** Madam Chair, could the minister provide us with a breakdown of the hours used by the medivac versus other government services that this particular department supplies in terms of air services?

**Mr. Ducharme:** I could probably save you a lot of time by giving you an update on percentage. Right now if you are talking about—they call it an executive jet, I do not consider it an executive jet. [interjection] That is right. The second plane, we will call it, is used 97 percent as an ambulance plane, 3 percent by administration and MLAs or ministers.

If you want to know the '93 activities of the Cessna, the second plane flew 919.9 hours transporting. Now this is the second plane, the one that we call—well, who other people use, 622 patients accompanied by medical teams; 63 patients were flown to six out-of-province medical facilities located, for example, in London or Toronto, Ontario; Edmonton, Alberta; Yorkton and Saskatoon; and Minneapolis, Minnesota. The Cessna Citation 6500, that is the executive jet, flew

63.2 hours in support for the Northern Patient Transportation Program carrying 74 patients in their role and that would be 93 percent of the usage of the miles used.

**Mrs. Carstairs:** It could be my hearing, but I have got two percentage figures. I thought it was 97 and 3 and then you said 93.

**Mr. Ducharme:** Ninety-three percent would be the usage, other than for administration and MLAs. Seven percent usage by other than that. It costs, if you would like to know, because I asked this and I had it in my briefing book and no one ever asked me, \$3.25 per mile flown.

**Madam Chairperson:** 8.3 Supply and Services (b) Government Air Services (1) Salaries and Employee Benefits, \$3,351,200. Shall the item pass?

**Mr. Dewar:** I am not sure if this is the appropriate place to raise the issue, but I wanted to talk about the Norway House Airport and the services that you provide. It is my understanding that flight service officers jobs will be eliminated at the Norway House airport and replaced with an electronic beacon. Can the minister confirm this?

**Mr. Ducharme:** That is under Highways and Transportation, not under us. The airports are manned by Highways and Transportation. We only provide the Air Services out of Government Services. We do not man the airports.

\* (0940)

**Madam Chairperson:** 8.3 Supply and Services (b) Government Air Services (1) Salaries and Employee Benefits, \$3,351,200—pass; (2) Other Expenditures \$5,315,100—pass; (3) Less: Recoverable from Other Appropriations (\$8,666,300)—pass.

8.3(c) Office Equipment Services (1) Salaries and Employee Benefits \$533,200—pass; (2) Other Expenditures \$1,411,800—pass; (3) Less: Recoverable from Other Appropriations (\$1,765,700)—pass.

8.3(d) Purchasing (1) Salaries and Employee Benefits.

**Mr. Dewar:** Could the minister provide us with a percentage of government purchasing that is

within Manitoba and purchasing done between provinces and then between, say, Canada and the United States?

**Mr. Ducharme:** The one I can give you offhand right away while I am getting the information would be the one in the United States, which is under one-half of 1 percent. Manitoba suppliers, 58 percent, and the rest would be within Canada with other provinces.

As you can probably appreciate, when it comes to Government Services, our only way of survival is to make sure that we abide by the tendering process and strictly abide by it. As you can probably appreciate, there are always people who provide tenders who say, what do you mean, I am only second. Unfortunately, the lowest tender is generally—unless it is manufactured in Manitoba, you can provide a little difference in the tax differential but other than that—because most of our suppliers would also supply more out of the province than they would in the province. If you talk to the Manufacturers Association, they do not want preferential treatment because most of their suppliers supply somewhere else.

**Madam Chairperson:** 3.(d) Purchasing (1) Salaries and Employee Benefits \$1,315,400—pass; (2) Other Expenditures \$428,000—pass.

3.(f) Telecommunications (1) Salaries and Employee Benefits \$931,200—pass; (2) Other Expenditures \$4,641,800—pass; (3) Less: Recoverable from Other Appropriations (\$4,857,900)—pass.

3.(g) Postal Services (1) Salaries and Employee Benefits \$775,600—pass.

3.(g)(2) Other Expenditures.

**Mrs. Carstairs:** Can the minister explain why there seems to be a significant decrease in the recovery from other appropriations?

**Mr. Ducharme:** I think I mentioned in my opening remarks that we have—I was just checking to make sure—actually negotiated with the Post Office on our distribution of mail. We are actually sorting more of our own through the machinery that we have gone into. I am advised

that our expenditures are less and our recoveries are less.

**Madam Chairperson:** 3.(g)(2) Other Expenditures \$402,900—pass; (3) Postage \$5,000,000—pass; (4) Less: Recoverable from Other Appropriations (\$4,850,000)—pass.

3.(h) Land Acquisition (1) Salaries and Employee Benefits \$1,449,300—pass; (2) Other Expenditures \$553,700—pass; (3) Less: Recoverable from Other Appropriations \$1,620,100—pass.

Resolution 8.3: RESOLVED that there be granted to Her Majesty a sum not exceeding \$4,536,900 for Government Services, Supply and Services, for the fiscal year ending the 31st day of March 1995.

4. Accommodation Development (a) Salaries and Employee Benefits \$2,184,500—pass; (2) Other Expenditures \$725,200—pass; (3) Less: Recoverable from Other Appropriations \$475,000—pass.

Resolution 8.4: RESOLVED that there be granted to Her Majesty a sum not exceeding \$2,434,700 for Government Services, Accommodation Development, for the fiscal year ending the 31st day of March 1995.

5. Land Value Appraisal Commission (a) Salaries and Employee Benefits \$80,300. Shall the item pass?

**Mrs. Carstairs:** Madam Chairperson, in terms of the Land Value Appraisal Commission, this is obviously the independent group which reviews all purchases. Does that include—I can only assume it does—purchases which are made for highway construction?

**Mr. Ducharme:** Yes.

**Mrs. Carstairs:** Then can the minister tell us how the growth of a package of land, the expropriation and the purchase of land, is going for Highway 59 south of Winnipeg?

**Mr. Ducharme:** I think we are involved in one major piece right now, and that is around Prairie Grove that we are involved in. That was purchased by a couple of individuals, I think a group of about four, who knew at the time that they bought

it—they bought as a matter of fact from the Shriners who were using it for practising out there in Prairie Grove. I remember I was involved in the city when this was going on originally.

When they bought it, they knew that there was a section that could not be used because of the highways and in their development agreement with the city on developing of land, it was even marked out, that section of the land. They were having difficulty. They were not satisfied with the negotiations so they came to the minister. I would sooner try to negotiate or try to settle it through discussion, so I had them in my office, and we did come to an agreement. Then they advised us that that agreement, they wanted to know whether the topsoil was included in the agreement, and I said well, that depends on the Highways, and went back to the Highways, and Highways said definitely not.

So that is where we are at now with one piece, and the other ones, that is the only one that I am aware of that we are having any brought to my attention.

**Mr. Dewar:** Thank you. I would like to ask basically the same question as the member for River Heights (Mrs. Carstairs) only this time dealing with Highway No. 9 between Selkirk and Winnipeg.

**Mr. Ducharme:** There has been none brought to my attention. Usually I will only hear if they are having problems and they want to proceed with expropriation. Normally that is the only time I hear, and I have not heard from that one. I am informed that we are buying land, but the process seems to be going normally.

**Mr. Dewar:** Do you have any idea when that process will be complete? I know it is going to be an expensive undertaking purchasing all of the land required to upgrade the highway. I was just wondering if there was some kind of a time frame when it will be complete so the construction can begin.

\* (0950)

**Mr. Ducharme:** I will tell you one thing. Normally we like to negotiate with the people that are being affected, but now, as you probably appreciate, in the last session we passed a new

method of expropriation, dealing with the Land Value Appraisal Commission, where we shortened the time period so that the value, they have their choice. They can go and the value by the Land Value Appraisal Commission will determine the value, and then they can appeal to the federal court only on law, but not on value, and that will speed up the process.

When you looked at the books that were going on, we had lands in Hecla last year that still were just completing the process of expropriation. We have lands north of Portage that are still not finished. As the time ticks on, of course, we have not paid out the monies and the interest is there, and so I guess we have not lost, other than paying a little bit of interest on the land, that we would be keeping our money anyway. But it is probably, I hate to say it, it is the additional costs of the people who are negotiating for the property owners who will benefit by the longer period.

You remember though if we start the project, we can proceed with the project after a certain period of time, and the value of the land is determined during that process, and you can be actually constructing, so you do not have to wait to accumulate all of the land. You can start your construction and the process of expropriation can be going on.

**Madam Chairperson:** Item 5.(a) Salaries and Employee Benefits \$80,300—pass; (b) Other Expenditures \$65,600—pass; (c) Less: Recoverable from Other Appropriations (\$63,200)—pass.

**Resolution 8.5:** RESOLVED that there be granted to Her Majesty a sum not exceeding \$82,700 for Government Services, Land Value Appraisal Commission, for the fiscal year ending the 31st day of March, 1995.

**Item 6. Disaster Assistance (a) Emergency Measures Organization.**

**Mr. Dewar:** As the minister will recall in December of 1992, there was a gas explosion in the western part of the city of Winnipeg. There was considerable damage done to property, unfortunately. Fortunately there were no injuries.

What responsibility did the Emergency Measures Organization have to help those individuals who were affected by this disaster?

**Mr. Ducharme:** If you are talking about the one in the city of Winnipeg, we would not be involved in that unless the City of Winnipeg came to us and asked for some type of benefit to the outlying people. City of Winnipeg handled that one. City of Winnipeg has their own emergency measures, and the only time we get involved normally in theirs is we are involved in the instruction process. We use our staff to upgrade and help them with instructions for the employees, et cetera.

The only time we will get involved is when there is a declaration of disaster called for, or else they ask for our help. In that particular case, they did not ask for our help.

**Mr. Dewar:** Again, there was another problem with the derailment in the Oakville area, as I was reading from the notes here, to finalize outstanding claims. Are all those claims settled?

**Mr. Ducharme:** Yes, they are. I can give you what our claim settlement with the CN was. We received \$350,000 from CN. That is only what our claim was. Then the municipalities involved also received their monies from CN, and all the individuals in the area have received their money. The claims were between the individuals and CN. Ours was settled.

What we received was any monies over and above what we would normally spend. In other words, if we had staff on there, say from Workplace, Safety and Health, or if we had staff from Environment and they were not additional staff, we did not claim that because they were employed with us anyway.

If additional staff was required or additional costs, that was weighed in. Our total compensation from CN was \$350,000, and that has been settled.

**Mr. Dewar:** In terms of the Disaster Assistance, how many claims did the government receive last year from the Selkirk community regarding the severe flooding that the area had to deal with, as many areas in Manitoba had to deal with?

**Mr. Ducharme:** We should have the chair of the Disaster Assistance Board here, but I will give you an idea. I think it was close to 200 or 300 claims in the Selkirk area. We had a total of claims last of almost 8,000 including the Swan River area and the Selkirk area. I think it was close to 8,000. They were all adjusted.

There might have been some people who felt that they were not adjusted correctly, but you have to remember that it is a compensation. It is not an insurance package. Remember there are some provinces in Canada which do provide any for that type of claim, and we provided a compensation for them.

**Mr. Dewar:** Would the minister be able to put a dollar figure on those claims that were settled in the Selkirk area?

**Mr. Ducharme:** A total of \$15 million, \$10 million to individuals, \$5 million to municipalities; and of that \$5 million, \$3 million, I believe, or something, to the City of Winnipeg.

**Mr. Dewar:** Those are province-wide figures. Could you isolate it just for the community of Selkirk? Would that be possible?

**Mr. Ducharme:** I could get that for you. That is not difficult. It is on the computer. I can provide you with those claims.

**Mr. Dewar:** Would the minister also provide me with the number of claims that are still outstanding, as well?

**Mr. Ducharme:** I can provide you with those, but I do not think there are any claims outstanding. Maybe there are some in some people's minds, that they still have some more coming, but as far as we are concerned—unless there is the odd one where we just cannot get a release signed because they are not happy. They have all been adjusted, and they have been offered their amounts. As a matter of fact, that was all finished. We let most of our staff who were doing the adjusting—we brought in around 25 to 30 adjusters to handle the claims across the province, and they all left sometime in March.

**Madam Chairperson:** 6. Disaster Assistance (a) Emergency Measures Organization (1) Salaries

and Employee Benefits \$587,300—pass; (2) Other Expenditures \$251,900—pass.

6.(b) Disaster Assistance Board (1) Salaries and Employee Benefits \$118,400—pass; (2) Other Expenditures \$51,200—pass.

Resolution 8.6: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,008,800 for Government Services, Disaster Assistance, for the fiscal year ending the 31st day of March, 1995.

7. Expenditures Related to Capital (a) Capital Projects.

**Mrs. Carstairs:** Madam Chairperson, does the department have a list of the capital expenditures, and could the critics have that list?

\* (1000)

**Mr. Ducharme:** Yes, I have a list. I can get you that list. If you look through the list, the biggest one, other than the Leg Building, would probably be MDC. We simply do not have any major capital projects. Most of them would be upgrading and refurbishing and new lease arrangements with new buildings we go in. They are easy to provide you. I will provide you with those. The largest project, I would say, would be \$700,000. The largest project we would have would be \$700,000.

**Mr. Dewar:** I would just request that list as well, please.

**Madam Chairperson:** 7.(a) Capital Projects \$13,001,300—pass.

7.(b) Departmental Capital \$187,400—pass.

Resolution 8.7: Resolved that there be granted to Her Majesty a sum not exceeding \$13,188,700 for Government Services, Expenditures Related to Capital, for the fiscal year ending the 31st day of March, 1995.

At this time I would ask that the minister's staff please leave the Chamber so we can give consideration to Item 1.(a).

Item 1.(a) Minister's Salary \$20,600—pass.

Resolution 8.1 RESOLVED that there be granted to Her Majesty a sum not exceeding \$2,358,600 for Government Services,

Administration, for the fiscal year ending the 31st day of March, 1995.

This concludes the Estimates for the Department of Government Services.

We will take a three-minute recess, and at 10:05 a.m. we will commence the Estimates, with the willingness of the committee, for the Department of Consumer and Corporate Affairs. Agreed? [agreed]

*The committee recessed at 10:02 a.m.*

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#### After Recess

*The committee resumed at 10:16 a.m.*

### CONSUMER AND CORPORATE AFFAIRS

**Madam Chairperson (Louise Dacquay):** We will now have the opening comments from the Minister of Consumer and Corporate Affairs.

**Hon. Jim Ernst (Minister of Consumer and Corporate Affairs):** Madam Chair, Consumer and Corporate Affairs exists to maintain a balance in the consumer marketplace. Both business and consumers have a common interest in a fair marketplace. Both business and consumers are the victims of, from time to time, unscrupulous and fraudulent business practices where the consumer suffers directly and business suffers because fraud and unfair business practices siphon off money that legitimate business depends upon.

We have, in Consumer and Corporate Affairs, put in place one of the most advanced residential tenancies acts in the country. The act was proclaimed on September 1, 1992, and amendments, including requirements for security deposits and establishing a security deposit compensation fund, came into force on September 1, 1993.

The Residential Tenancies branch investigates, mediates and determines most matters relating to residential tenancies. From April 1, 1993, to March 30, 1994, the branch received 9,200 new cases. Two thousand one hundred and fifty hearings were held to determine orders of possession, claims in excess of security deposit or claims for compensation. The branch takes an

active approach to inform landlords and tenants on the legislation and on policies and procedures. So in addition to incoming calls and interviews for active cases, the information intake service area of the branch for the 12-month period has handled approximately 58,000 calls, 6,300 interviews and has talked to approximately 550 landlords and tenants at information seminars. All these figures include our office in Brandon.

The Consumers' Bureau likewise has a new Business Practices Act, and the bureau is aggressively pursuing its mandate. Last year saw a major investigation of home repair frauds. The Consumers' Bureau, the City of Winnipeg Police and the RCMP completed a year-long investigation which, for that single investigation, resulted in 71 convictions for fraud or offences under The Consumer Protection Act. Other complaints are received directly regularly from consumers involving a whole range of issues in buyer and seller disputes. Mediation continues to be very successful in resolving most of these matters. By the end of the fiscal year '93-94, the bureau had received in excess of 2,300 written complaints and obtained about half a million dollars in the form of cash or adjustments for consumers in the resolution of their complaints.

The bureau maintains an enforcement program to obtain compliance with its statutes and also to obtain redress wherever possible for consumers who have suffered a loss.

Tough economic times make it more important, or make it more difficult rather, for Manitobans to meet their consumer needs, so consumer education equips seniors, new Canadians, low- and middle-income families, single parents, teens and aboriginals with the practical coping skills they need to meet the daily challenges of the marketplace.

\* (1020)

In 1993-94, Project Real World's accomplishments are—wrote the Manitoba Teachers Guide and co-ordinated the distribution with the Manitoba Textbook Bureau. We worked in co-operation with the Textbook Bureau in the preparation, printing and distribution of the French

edition and completed the French translation of the Teacher's Guide.

Since its introduction in 1982, the volunteer program has educated consumers on how to make better informed marketplace decisions, and today it is even more crucial to help consumers make sound consumer decisions and to get value for their money.

Through community presentations, trained volunteers reach consumers on a personal basis with valuable information. While seniors remain a primary target, other groups, such as language training programs for new Canadians, co-op education programs for at-risk teens, life skills programs and women's groups are also vulnerable.

We have had an increase of 45 percent for volunteer presentations in '93-94, and we have developed and printed a tip sheet on renting to own in response to an identified need by the aboriginal community.

In '94-95, volunteer initiatives will be strengthened and supported by the addition of a credit education presentation, and this will help Manitobans meet the growing need for prevention of consumer debt.

Manitoba's Project Real World teacher's guide will be printed and distributed in French this year, and partnerships with other provinces, government departments and community groups will continue.

Another aspect to consumer protection is the protection of the public through industry regulation. The Public Utilities Board, the Securities Commission and the Insurance Branch are the most obvious examples.

This year, we added the new Automobile Injury Compensation Appeal Commission, part of this government's no-fault automobile insurance program, which expects to save Manitobans approximately \$50 million a year.

The Automobile Injury Compensation Appeal Commission was established by the same bill that introduced no-fault insurance in the last session. The commission is the primary means of appeal for claimants who disagree with MPIC's decision regarding their benefits. It officially opened its

doors on March 1, which is the beginning of MPIC's insurance year and the day on which the no-fault system came into effect.

To date, the commission comprises three full-time commissioners, and several others will be appointed who will be paid on a per diem basis as the need arises. The commissioners will sit on panels of three to hear appeals. The office staff currently has four people, excluding the commissioners. The commission will produce an annual report which will be ready six months after the year end.

Quality service is another initiative of Consumer and Corporate Affairs, and Vital Statistics, new to Consumer and Corporate Affairs, has become a special operating agency on April 1, to allow it to concentrate on service enhancements.

The Corporations Branch has been actively implementing TQM principles into its operations, and it received an award for improved service in the 1994 Manitoba Quality Awards. These awards are administered by the Winnipeg Quality Network and includes representatives of a number of organizations such as the Canadian Manufacturers' Association and the Winnipeg Chamber of Commerce. We are quite proud of the fact that the Consumers branch this year had received that award.

All of the department have made a service commitment, including a commitment to plain language, which is something anyone who has had to deal with government will very much appreciate. The increased emphasis on service is not just something our government wants, it is something that the staff want. They want the opportunity to do a good job. It is my commitment that the staff will be given the tools and the training where appropriate and special operating agency status where that is appropriate.

The past is a good predictor of the future, and we have done a lot, but much is left to do. Looking ahead for Consumer and Corporate Affairs, I expect a continuation of the vigorous approach to the door-to-door home improvement scams, and I expect to see Manitoba in a national new car arbitration program.

I expect to see the Residential Tenancies program continue to provide an alternative to court. I expect that our consumer education program, which has done an excellent job with consumers, expanded into landlord and tenant affairs.

In the past, I have directed constituents to Consumer and Corporate Affairs for help with a variety of consumer problems, and I know many other members have done the same thing. Very seldom have I been disappointed. I expect Consumer and Corporate Affairs will continue to meet the high expectations that all members in the House have and the public has as well. Thank you.

**Madam Chairperson:** Does the critic for the official opposition, the honourable member for Elmwood (Mr. Maloway) wish to make opening comments.

**Mr. Jim Maloway (Elmwood):** Madam Chairperson, the minister made reference to the high expectations that we have for the department, and I must say that I have always felt that the department has never lived up to—the minister, that is—has not lived up to the expectations at least I have had for him and the government, although there is a glimmer of hope here that some action may be forthcoming in a couple of areas. Time will tell.

Madam Chairperson, this government has had six years to move in a number of areas that we have been prodding them on, and we have not seen action on them.

I am very pleased, though, that the minister has indicated that they are looking at involving themselves in a national new car arbitration program. I think what the minister is telling us is that they are looking at implementing a lemon law here for Manitoba, because that is what a national new car arbitration program would be.

My only reservation about the minister's approach to this is that in the United States, and he should be aware, almost all of the states have what are known as lemon laws, but of the 40, 45 states out of the 50 that have lemon laws—some have had them for a number of years—there are quite a number of the states that have very weak lemon

laws. There are only half a dozen states that have very tough lemon laws, such as Florida, New York and others.

I do not want this minister to get away with feeding the public the line that he is bringing us into lemon law, because I can see this developing. I can see what this government has done. They have done this with no-fault auto. They have done this with the recycling program. They have been very good about getting ahead on the issues. We promote the issues and develop them for them, and then they jump out front and take credit for them. Particularly in an election year, it is something we have to look out for. Then what we see them develop is not exactly what we really had in mind in the beginning. I see them taking credit for introducing or bringing in lemon laws, but then I see them bringing in very watered-down, company-oriented kinds of lemon laws such as we have in at least half the states in the United States.

So that is the difference here. If this minister is going to be tough, take a proactive approach and do what the previous ministers would not do, and that is bring in as tough a lemon law like Florida—I would offer to go with him to Florida to do some research on lemon laws. I have been to Florida. I have checked out the lemon law. Actually, I sat through an arbitration appeal in Florida last year. It is a very interesting experience and, by the way, one in which the company does not always lose. Sometimes the company does win.

Here you have one of the toughest laws in the United States working very well in Florida. I am sure the companies are not ecstatic about it, but the point is that they do win sometimes. I think that it is a fairly fair system. In fact, the laws are so popular down there that the state is considering getting into the used-car business as far as lemon laws are concerned.

So there are jurisdictions that the minister can be looking to for good examples. There are jurisdictions the minister can be looking to for not so good examples. I would encourage him to look at the states that provide the best examples. I would be prepared to help him out in any way that



he wants the help, because I have the reports from Florida for the last three or four years. I am on their mailing list. I get stuff from them all the time, and when I go down there, I talk to them.

There are a couple of other areas that would cost the government absolutely nothing, in my opinion, that they should be doing that would be popular and helpful to the public. One example of that would be the octane stickers that you have in the States. They are on the fuel so you know automatically what the octane level of the gas is that you are putting in your car.

The minister probably knows that certain cars do not work well on the wrong octane level, and there have been cases where people have been paying for a different octane level that they did not have and so on. The minister could do a lot to clear up some confusion and make the motoring public a little happier by requiring the stickers. To me, the cost of implementing the program should not be anything more than printing the stickers.

\* (1030)

These are examples of many, many ideas that we have brought forward over the last few years to the government. Up till now anyway, these things have fallen on deaf ears. So once again, a new minister, maybe a new broom sweeps clean. I think that we want to give him a bit of a chance, but we do not want to be going through another couple of years of total inaction.

Negative option offers, that was one issue that the member for River Heights' colleague the former member for Crescentwood, Jim Carr, was interested in, the negative option offers question, and once again the government has been very silent on that area. Documentation fees we brought up in the past. Once again nothing has been done, and this government has a Research department in the Department of Consumer and Corporate Affairs that is supposed to be researching these areas. I guess later on we will be in position to ask the minister what this Research department has been doing over the past year. We could perhaps be updated on what they have been doing.

The minister referenced plain language. I think that is an admirable—wherever possible we should

be translating the laws into English. I remember the former member for Kildonan, Marty Dolin, used to constantly talk about translating the laws into English, making the laws more user friendly, and that is something that is necessary.

So there are a number of areas that we still see the government is very slow to respond to and being more in a reactive role than a proactive role. I guess, you know, it is a Conservative government, so we should not be expecting too much in the area of intervention in Consumer Affairs. Maybe we should be happy for what little they do get around to doing, but I have never believed that that was a proper way to approach things. I have always believed that you push the bounds as far as you can and take on adversity and not simply back down and try to hope that it will go away.

Now having said that, Madam Chairperson, I know the member for River Heights (Mrs. Carstairs) will be making some introductory comments for her party. My suggestion would be that if we could go about it in going line by line, that we simply went to the Minister's Salary, and if we can deal with all the issues in the department under Minister's Salary, that would probably be an easier way of dealing with it, but the member might have a different idea.

**Madam Chairperson:** What is the will of the committee? I would remind the honourable member for Elmwood that if we follow that course of action the minister would not have staff available as a resource. Does the honourable member for River Heights wish to make comment on procedure at this time?

**Mrs. Sharon Carstairs (River Heights):** Well, I would like to make an opening statement before we get into procedural discussions, but I would be very opposed, quite frankly, to the minister not having access to staff. I do not think that is the function and purpose of Estimates at all.

**Madam Chairperson:** What is the will of the committee?

**Mr. Ernst:** Madam Chair, you know, the member for Elmwood has I think recanted on his earlier request, not realizing that the staff would not be

available under Minister's Salary, so I think we can go line by line. There are not many lines, so we should be able to cover off most of the issues without too much difficulty.

**Madam Chairperson:** Okay. I thank the honourable minister for those comments. The honourable member for River Heights to make opening statements.

**Mrs. Carstairs:** My opening statements are going to be brief. In fact, I did not intend to make any opening statement at all, but I am afraid that the member for Elmwood and I have a very different attitude about the way in which these Estimates are to be conducted.

I think that it is a learning experience for all of us. It is not a charge-and-attack session. That is what Question Period is supposed to be about. It is unfortunate I think that from a political party that was in government for so long, and quite frankly did very little in the area of Consumer and Corporate Affairs, to have been out of the starting gates back in 1988 is making this a department about which they were going to come up with such wonderful and innovative ideas.

Many of those ideas are wonderful and innovative. Why did they not do it when they were in government for so many years? That is a question that I find interesting. Hopefully, we will get into some discussions about some new ideas. I have one that I hope we will address in terms of home renovation.

I am concerned about the number of home renovators that are out there and that are unregulated, and I would like to know if there has been any thought and consideration given by the department to perhaps coming up with some regulations so that those who are concerned about who is active in the renovation business would have a criteria to follow and would have an access to a list of duly certified and accredited home renovators.

So with those few comments on the record I think we can be open to bringing in the staff.

**Madam Chairperson:** Thank you. Would the minister's staff please enter the Chamber.

**Mr. Ernst:** Madam Chairperson, if I could introduce staff here today, on my left here, this handsome fellow with the glasses—well, they have all got glasses on and they are all handsome—in the light gray suit, Don Zasada, who is the deputy minister; Ian Anderson, who is the director of Research; and our favourite fellow Fred Bryans, who also doubles as the administrator for the Council of the Legislative Assembly, which is where our pay cheques come from.

**Madam Chairperson:** Item 1.(b) Executive Support (1) Salaries and Employee Benefits.

**Mr. Maloway:** I would like to ask some questions of the minister on the Securities Commission matter dealing with the Clancy's restaurant. Perhaps there is someone there who could answer some questions about the role of the Securities Commission in this case.

**Mr. Ernst:** Madam Chair, under 3. Corporate Affairs (c) Manitoba Securities Commission we would be pleased to respond to the member with those questions, and I have staff who are outside waiting and we will rotate the staff as required to meet each category as we go through it. So perhaps if he would like to hold his questions until then, and we can just deal with the other issues while Ian is here and then we will bring in David Cheop at a later point.

**Madam Chairperson:** Item 1.(b) Executive Support.

**Mrs. Carstairs:** One of the activities identified by this particular appropriation is the formulation and review of legislative proposals. Has there been any consideration given by this department to the request by the home renovators association to legislation which would in fact accredit such individuals in the province of Manitoba?

**Mr. Ernst:** Madam Chairperson, I have met with the fellow who purports to be the president of this group of people to which the member for River Heights refers. The underlying principle, the underlying thought I guess from the Consumer and Corporate Affairs point of view in this regard is that we try and approach it on the basis of what is best for the public and what we can do to ensure that the public gets reasonable service at a fair

price. That is really what we are after, reasonable service or reasonable work at a fair price, and it should not matter to us quite frankly as legislators as to who does the work as long as the work is done reasonably and at a fair price. Now, that in principle is where we are at.

I have some concerns. I have a great deal of concern, as a matter of fact, because there are all kinds of people from, you know, the college student across the street who paints the little old lady's house for her for \$5 an hour who may well be prohibited should we restrict the ability to what these home renovation people propose, which is basically a closed shop.

Their proposal is they want to exclude the firefighters who work on their days off; they want to exclude the low-income family who has one or two members of the family out maybe working evenings or weekends to try and supplement their income; they want to exclude anyone other than their membership. They would control it very much like some of the professional associations, although for entirely different reasons.

I am quite loathe to do that, because there are many, many expert and good workers out there in the public who will not, or may not, or do not, want to subscribe to what the home renovation association people want to propose.

At the same time, we do have concerns over unscrupulous people, and we have, as I indicated in my opening remarks, zapped 71 of them last year as a result of an extensive investigation.

\* (1040)

So I guess you try and balance the two and try and determine what is best for the general public and how you deal with those who are unscrupulous, and so on. We have produced all kinds of literature. We have regular programs. We have the volunteer consumer groups who go out and talk to individual groups, talk to seniors, who try to bring as much information and awareness, if nothing else, to these people.

There is a role to play for the home renovators association themselves, as a matter of fact, in promoting their own worth and their own

credentials and so on, but for us to set up a huge accreditation system to try and ensure they have education and so on, when in fact tradespeople by and large are already regulated by the Department of Labour, that is, electricians and plumbers and people of that nature, we have considered it but have decided not to act upon it.

**Mrs. Carstairs:** I certainly would not want it as Draconian as the minister might suggest such legislation would be. However, like him, I also have a concern.

If a senior citizen is approached to do a home renovation project—somebody off the street says, I will fix your roof, I will do whatever—is there any hotline at Consumer and Corporate Affairs that could be contacted to say, to your knowledge does this person do valuable work? Or have you had any reports against this individual, or something of that nature?

**Mr. Ernst:** First, let me say that anyone selling those kinds of schemes up and down a street require to be licensed by our department. They are required to be bonded, as well, by the department. They are subject to The Consumer Protection Act.

A couple of years ago one of my predecessors bumped up the cancellation requirement from originally four days. We have extended that now to seven days to ensure that people have an opportunity, if they are caught by a high-flying salesperson, to do some checking, albeit after the fact, and then get out of the contract without any penalty. That has worked reasonably well, but, you know, every time you put a law in place there is somebody looking to try and find a way around it. It is unfortunate because, if those people put the effort into legitimate work that they put into trying to get around the laws, I think everybody would be better off, including them. But those things happen.

**Madam Chairperson:** 1. Administration and Finance (b) Executive Support (1) Salaries and Employees Benefits \$298,200—pass; (2) Other Expenditures \$49,700—pass.

1.(c) Administrative Services (1) Salaries and Employee Benefits \$445,500.

**Mrs. Carstairs:** I just have one question. Can the minister explain why there is a decrease of over \$40,000 in computer-related activities?

**Mr. Ernst:** The Residential Tenancies systems support was transferred from this line to the Residential Tenancies line. You will see there is an increase in systems support in that line. It is \$15,000, I believe. The other is the \$25,000 which was the advertising budget for the Residential Tenancies Branch, which was not included in this year's Estimates.

**Madam Chairperson:** 1.(c) Administrative Services (1) Salaries and Employee Benefits \$445,500—pass; (2) Other Expenditures \$229,500—pass; (3) Less: Recoverable from Legislative Assembly (\$200,000)—pass.

1.(d) Research and Planning (1) Salaries and Employee Benefits.

**Mrs. Carstairs:** One of the functions of Research and Planning, of course, is to conduct surveys. Can the minister outline what surveys were conducted in the past year by this department?

**Mr. Ernst:** Madam Chairperson, the principal survey conducted this year was the price of propane. Particularly during the harvest period, there was a significant increase in the price of propane just at that time, and so we are trying to determine kind of after the fact—you could not do a lot about it right then and there—as to how we can—it is in conjunction with the departments of Energy and Mines, Agriculture, I guess, and Highways—source alternate sources of propane in high-demand periods.

We found that last year, for instance, propane in Manitoba had gone up substantially, yet in North Dakota it was available at considerably reduced cost. However, there are certain impediments to the transport of highly volatile materials, so we have been in the process of looking at that. We are nearing completion of that survey at the moment and are hopeful to have responses in advance of the harvest for this year.

We also do, from time to time, surveys and information on the gasoline prices, which is of course of interest at the moment, and so we do do that from time to time as well.

**Mrs. Carstairs:** This is also the department, of course, that does research, or the section of the department that does research. What kinds of research projects are ongoing in the department at the present time?

**Mr. Ernst:** Well, the one that they are doing right at the moment, of course, is the one as a result of the three cent per litre increase in gasoline prices. We have them working on that at the present time.

They are researching into the regulatory impediments to the importing of fuels of a variety of kinds from the United States. They are also participating in the working group on the internal trade agreements on consumer-related issues.

They participate in the advisory group regarding The Residential Tenancies Act. They participate in developing the amendments to The Condominium Act and are also involved in the question of the national automobile arbitration program. Ian is the pointman on that.

There are probably 50 other little projects, but those are the main ones.

\* (1050)

**Mr. Maloway:** I would like to ask about the gasoline price issue that the Research department is looking into and with particular reference to the federal legislation regarding combines and the potential role of the federal government in here or lack of a role on their part. How does the department see the federal role in this?

**Mr. Ernst:** Madam Chair, the role of the federal government in matters such as this would be on the basis of are the oil companies operating in collusion to fix prices? Are they operating as a combine? Do they have joint committees, for instance, to set prices or to somehow distort the marketplace, as it were, so that federal legislation, and I am giving serious consideration, quite frankly, at the moment to asking the federal government to look into the question of whether that, in fact, is occurring.

I know in the past I think others have alleged it, and there may have been studies or investigations, but maybe it is time we did it again. I am giving very serious consideration to drawing it to the

attention of the federal minister and suggesting that they look into it and look into it immediately. It seems all too coincidental from time to time for this to occur, and I know it really cheeses off the public. I do not blame them, quite frankly, they should be cheesed off the way these things happen from time to time.

**Mr. Maloway:** I was intrigued by what the minister had said the other day. I just was wondering when he said that the cartel is in place or is in operation, and I thought, was he making a statement here based on some information that he had. I am pleased to hear that he is not only thinking about it but planning possibly to make a representation to the federal government, because my assumption is that one would have to—it would be a complaint-based system—make a complaint to the federal government to trigger some sort of action on the part of the combines people.

I think we are aware that in the past the federal government has been successful in getting convictions of price fixing in a number of different industries, albeit I imagine it is quite involved and a drawn-out process to try to prove that people, on an industry-wide basis, colluded. I am not certain exactly how you go about doing that, but the fact of the matter is that it has been done in the past. Perhaps it is about time that we did join together and make a complaint to the federal government and request that they investigate, because it is common knowledge. It is common knowledge out there. If you talk to people in the gasoline business, they will tell you that they are just waiting for the word to come through and up goes the price. So there is no magic about it. Everybody knows about it, but I guess no one has been in a position to take some action. Clearly, that is something that we want to be looking at.

I am also very interested in what this research committee has been doing over the last couple of years. I know we have asked in the past about actions that it is taking. I am going to take this as an announcement, the minister's announcement that he is getting into a lemon law program. I have indicated I am pleased with that, but I want to make certain that it is not a watered-down

program, that it is a tough program similar to Florida or New York.

I would like to ask the minister, then, which jurisdictions has he been consulting and which model would this initiative be patterned on? Madam Chairperson, we know that in any initiative that is taken, but particularly recently with the no-fault auto, it was patterned almost directly on the Quebec system. So I am suggesting that with nearly 50 models out there his department has had to kind of light on one model that it prefers over any others. So that is my question.

**Mr. Ernst:** First of all, let me be quite clear. We are not passing any laws. We are not going to institute the lemon laws as the member refers to. However, all of the provincial governments in the country have been holding discussions over a period of time with respect to how to deal with the issue inexpensively, quickly and fairly, as much as can be determined for all people involved, that is, the consumer, the manufacturer and the retailer. That is a very large task, because very often it is in the eye of the beholder as to whether you are being dealt with quickly, reasonably, inexpensively and fairly.

Nonetheless, in co-operation with the automobile manufacturers, the automobile retailers, consumers associations from across the country and the provincial governments, these discussions have been going on, and they are proposing to model a national arbitration program that would follow the pilot project that has been enforced in Ontario for the last four or five years which has worked reasonably well.

The problem, of course, with this in case of law is that the law suggests you deal in the courts system and that involves lawyers, courts, a huge length of time and delays and an awful lot of money up front for fees and costs and so on.

The expectation in this national arbitration program which all provinces would hopefully participate in and which would involve the manufacturers as well as the motor dealers and the Consumers' Association and so on would deal with the issue quickly, because quite frankly if

your car is in difficulty it is not doing you a lot of good to sit and wait for a year and a half to get into court. What you want is your car fixed and you want it fixed right away. So the proposal is to put in certain kind of time lines to make sure that these things are acted upon quickly and without the requirement to employ lawyers and so on and to get into the program, get on with it. A set formula is put into place, and then they have the opportunity of having their issue dealt with with appropriate avenues of appeal if they are not satisfied and appropriate requirements of the manufacturers to deal with issues within a certain time frame as well, so that this matter does not drag on for months and months and months.

\* (1100)

**Mr. Maloway:** Madam Chair, the point is that is what we are trying to do here, we are trying to avoid dealing with lawyers, we are trying to avoid delays.

What this minister is telling me is that they are following Ontario's example which, by any standard, is a very weak version of lemon law, so of course you are not going to get anywhere following the Ontario example.

If you follow the Florida example and other tough examples like Florida, you are going to find a 21-day waiting period where the manufacturer is given 21 days to fix the car after four attempts, and if it is not fixed, the people get a new car deducted from the system. That is the system that works there.

The Ontario system is a watered-down version which is at the lower end of the 50 models out there. If you are telling me that you are going to follow that kind of a model, then you may as well not even do it, because you are not going to have a workable lemon law model following that system.

What is the problem with the research department contacting—I mean I can give the research department the annual reports from Florida, but what is the problem with getting on the mailing list of one of the toughest states in the United States and New York state and getting their material? Why are you chasing around five to 10 years behind on this issue? You may get some short-term political credit in a quick election call

by saying you are going to bring in a lemon law, but at the end of the day you are going to have a system that does not work.

**Mr. Ernst:** Madam Chair, we are quite aware of Florida lemon laws and the member's zeal for that. We are also aware of New York and Connecticut and a variety of other U.S. states that have a variety of other different types of laws. We are also aware that it is in the interests of the consumer, we feel, to have a national program so that if you move from—let us face it, the mobility of people today in this country particularly is not insignificant.

If people move from Winnipeg to Toronto or Vancouver or whatever or Brandon to Moosomin, Saskatchewan, they should be able to participate in a similar program right across the country, one that all the provinces subscribe to and where the rules are the same all across the country.

While the model that is an arbitration-type program is the one that is being contemplated, it may not necessarily have all of the same kinds of requirements that the current Ontario one does. Hopefully it will be better. There has been experience with the Ontario model, and hopefully that can be improved upon. We also have a number of other issues that are raised from time to time and which can try and be accommodated within the program. No system is going to be perfect, but what we are trying to do, as I said right at the beginning, collectively across the country, is to have a national program so that everyone can participate on a national basis, to do it quickly, inexpensively, without having to use lawyers and without having to go to court.

We think that on average this program will measure up very well against those other U.S. states to which you refer. Let us face it, that is the bottom line. Is the consumer going to be satisfied? Is the consumer going to get their due attention and due from the motor company? We think this will work.

From time to time, assuming we get the thing put together and get it on the road reasonably soon, then if adjustments are required, something does not work, some new wrinkle comes in, that always happens. It does not matter what kind of laws you

pass. I have been in this business for 21 years, and there is always something happens different than what was anticipated. I guess maybe that is one of our human frailties, that collectively we cannot always anticipate every single thing that can happen.

You know, as things change, the laws will change. The programs will change so that they do give the best service possible to the public who deserve it. I think that is in the interests of everyone, the manufacturer, the retailer and the government.

**Madam Chairperson:** 1.(d) Research and Planning.

**Mr. Maloway:** I have more questions of the minister on this department. I am pleased that the minister is not planning to follow the Ontario model, because he had made reference to Ontario, which I took from that he was planning to follow the Ontario model. So I am pleased that it is not going to be that system. He also made reference to lawyers and the time frame and so on. I know that certainly is not the route to go because I know in Florida and so on you do not need lawyers to be dealing with the arbitration panels.

Now, I would ask the minister when he sees this system getting off the ground. At what date does he actually see Manitoba new car buyers being covered under this program?

**Mr. Ernst:** First of all, let not the member for Elmwood misunderstand. I did not say that it was not going to be the Ontario model. I said it was based on the Ontario model, so that there are changes, improvements and things. We are not adopting an Ontario model, but there is a basis for a starting point that was the Ontario model. Please do not let him misunderstand that, nor would I want to mislead him in any way that is not the case.

In terms of a national program, we are hopeful that by the end of 1994 we will have everybody on stream, ready to go.

**Mr. Maloway:** So is the minister telling us, then, that the signing of this program is imminent? This has been pretty much decided at this point, the details of it?

**Mr. Ernst:** There has been an awful lot of work done and an awful lot of discussion taking place, but there are issues yet to be resolved, and those, hopefully, are not deal breakers. There are still issues that need to be resolved, and they may well negate a full national program. We are hopeful that will not occur and, if necessary, staff from various departments across the country who have been dealing with it, and I guess if we need to politically get involved at some point to cut the final deal, then that is what we will have to do. So far, we have been able to work through the issues as they come up.

That is the beauty and the problem with our country. Things are different in Atlantic Canada than they are in the Pacific Northwest, than they are in Alberta and Manitoba and Saskatchewan and, for that matter, for central Canada. So there are always issues that fit one place but do not necessarily fit another, and you have to try on any kind of a national program to bring consensus and kind of a level playing field for everyone.

**Mr. Maloway:** Are you prepared to go alone on this system then if you do not get an agreement by a certain period of time?

**Mr. Ernst:** Well, we are not intending to not have an agreement. Our goal is to have an agreement, and that is what we are working toward. Anything else is speculative, Madam Chair, and I do not think it serves any purpose to comment on at this point.

**Mr. Maloway:** Are you planning to introduce any type of enabling legislation for this program at all, and if so, when?

**Mr. Ernst:** It will not require legislation.

\* (1110)

**Mr. Maloway:** Madam Chairperson, I would like to ask the minister when the minister anticipates having any documentation available for members of the Legislature on this program. I mean, surely you can give us some information now that we can look at.

**Mr. Ernst:** As I indicated earlier, what we are doing is we are having discussions with our counterparts across the country in an attempt to

reach consensus on a significant national program. I do not think it is fair, quite frankly, to our colleagues across the country to say here is draft four of 10, which has something in it that they may or may not be prepared to accede to and so on. Until you get to the end of the road it is pretty difficult to be sharing draft agreements with others, and in fairness to them, and similarly in fairness to us, until we get to the end of the road, I think we are going to keep it confidential.

**Mr. Maloway:** I would like to ask the minister what in terms of the internal trade agreement that has been attempted across the country—his planning department has a role in that. I would like to know what issues in particular they are working on in terms of this agreement.

**Mr. Ernst:** There are a number of issues. The three principal issues that are being dealt with are, firstly, credit disclosure. Currently, there are provinces across the country with differing legislation related to disclosure of the cost of borrowing, cost of mortgages and all of those kinds of things. So we are looking for some harmonization of that kind of issue.

Secondly, it is the bedding and upholstering internal materials that they use for stuffing pillows and mattresses and all that kind of stuff. The third is direct seller legislation. Obviously, direct sellers move from province to province and so on, and so we are trying to look at that aspect of it as well.

**Mr. Maloway:** While we are on the section dealing with the research department, I have an awful lot of questions for this research department. We do not have enough time to deal with them this year, so maybe we will be around here next year, and we will be able to ask some more questions of the research department.

I was interested in knowing what happened to—I have an article here from the Free Press, December 28, '93, which is typical of all kinds of examples I could show you where we have an article saying—and this one here is Gas Price Gap Puzzles Ernst. In this article he promises to investigate the differential, and he was going to look into it, and I guess at some point he was going to get back to somebody. Since no one asked him

about it, he is not in any hurry to get back to anybody. My assumption is that he has passed this off to the research department, and it is somewhere around in there.

Could you tell me what has happened with this? Does the minister have it, and he is just waiting for a question to be asked at some point in the future, or does the research department still have it, because it was not on the research department's list of things that they were currently working on? So my assumption is that they have dealt with this already.

**Mr. Ernst:** Madam Chairperson, firstly, the analysis indicated that the spread between the two principal formulations that are sold was not particularly out of line, either in comparison in other places or in the U.S., for that matter. So when we saw that it was reasonably in line with those places, then we did not pursue it any further. I mean, there is lots to do besides chasing ghosts from time to time.

The other issue was that the feds, I think, were also looking at the question on a national basis, and so with that, we did not press it any further.

**Madam Chairperson:** Item 1.(d) Research and Planning (1) Salaries and Employee Benefits \$137,000—pass; (2) Other Expenditures \$37,600—pass.

Item 1.(e) Vital Statistics Agency (1) Salaries zero; (2) Other Expenditures zero.

**Mr. Ernst:** As I indicated in my opening remarks, the Vital Statistics Agency on April 1 became a special operating agency and so, as a result, there is no expenditure here that they will operate with on the revenues that they generate internally. I can just advise members that after two and a half months or so of operation, things appear to be working reasonably well. The staff are actually quite excited about it and are quite enthused, if you will, about their new status and how it is working, and we are reasonably pleased with the way it is going.

**Madam Chairperson:** 2. Consumer Affairs (a) Consumers' Bureau (1) Salaries and Employee Benefits \$931,100.



**Mrs. Carstairs:** I have one question on this. Do they use voice mail at this particular branch?

**Mr. Ernst:** I am advised not.

**Mrs. Carstairs:** Then my recommendation is that they remain off voice mail because I think it is very alienating for somebody who thinks they have a consumer problem to not be able to reach a human being but in fact reaches a voice. I am a strong believer in voice mail but not for something which is supposed to be as service oriented as this particular department is supposed to be.

**Mr. Ernst:** For a response to that question, press 1. I agree with you.

**Madam Chairperson:** 2.(a) Consumers' Bureau (1) Salaries and Employee Benefits \$931,100—pass; (2) Other Expenditures.

**Mr. Maloway:** Madam Chairperson, I assume that this is the point at which I could ask about the operation, so far, of The Business Practices Act. You have had a couple of years of operation now. Last July, I guess it was, we were into our six months, and you could not really tell me too much about it at that point because you had only been at it six months. Now you have been at it a year and six months, I think it is a year and six months.

I would like to know just how the act is jelling with the current Consumer Protection Act legislation and whether there are any gaps in the area and the number of convictions that you have under this act.

\* (1120)

**Mr. Ernst:** Before I respond, Madam Chairperson, to that question, I want to introduce members to Monsieur Denis Robidoux, who is the director of the Consumers' Bureau and who is doing an excellent job for the government and for the people of Manitoba. I will now consult him as to how we are doing.

Madam Chairperson, it is always difficult to determine exactly what results—we may start out under The Business Practices Act with an investigation and wind up with criminal charges, in fact, being laid against malfasants for what they are carrying out. We have, directly under The Business Practices Act, I believe we are in court on, three different companies with a total of seven

charges, and there are some others that are continuing ongoing investigations. We are also in court on the basis of restraining orders, seizure of bank accounts, a variety of things. Every once in a while, the director comes in and—I can give you, we have two court injunctions, three search warrants, three bank accounts frozen, two arrest warrants and a total of 70 charges, I guess, 27 of which have been dealt with during this year.

**Mr. Maloway:** Madam Chairperson, I would like to ask the minister then, regarding The Business Practices Act, I cannot draw a conclusion absolutely from that because the minister may recall that one of our—I had troubles with his previously once removed minister who brought in The Business Practices Act. We did not feel that it was tough enough at the time, and, you know, I am just trying to determine now, after a year and a half, whether or not it in fact was tough enough. I guess we do not know at this point to be sure, but obviously you have had some results with some convictions and some actions.

I guess my question has to do with the renovation contractors and their association and the demands that they have been making. It seemed to me, Mr. Minister, that The Business Practices Act was and is the tool that should be used to deal with these renovation contractors that are evidently running amuck in the province and causing some problems, according, at least, to the Liberal critics. They have asked the minister to bring in some sort of regulations and license these renovation contractors, which to me is sort of, possibly—it would be an idea but certainly nothing near as strong and as powerful as a business practices act, sort of trying to kill a big bird with a little fly swatter. Now, is it not the case that The Business Practices Act is the tool and the answer to this supposed renovation contractor problem. Am I right or wrong?

**Mr. Ernst:** Madam Chairperson, I would not say it is the answer at all. It is one of the tools that the department uses in terms of trying to get at unscrupulous people. You have The Consumer Protection Act, which requires licensing, bonding for direct sellers and certain other benefits to the

consumer where direct sellers are involved, cancellation clause, et cetera. That is one tool.

The second tool, The Business Practices Act, yes, it does have significant teeth in it and we can do a number of things, get injunctions, freeze bank accounts, lay charges and so on.

The third, and the one that is used quite frequently, is working directly with the police on the Criminal Code of Canada, between the RCMP and the city police forces around the province. Very often these activities are fraudulent and if they are fraudulent they fall under the Criminal Code. What starts out as an investigation in our department and with our investigators very often winds up in the hands of the police. As a matter of fact our guys are called to testify on behalf of the Crown when they are prosecuted under the Criminal Code. It is kind of a hand-in-glove arrangement and seems to be working very well at the moment, so I am reasonably pleased anyway. Those who are involved with it, I think, are reasonably happy the way it has been going.

**Mr. Maloway:** Then why not take the member for River Heights' (Mrs. Carstairs) suggestion then and do what she asks and license the renovation contractors, if that would be a help in dealing with these renovation contractors?

I mean I was operating under the assumption that The Business Practices Act was sufficient and now you are telling me that it is not the total answer, then what is wrong with her idea?

**Mr. Ernst:** Madam Chairperson, simply licensing people either—the whole nuts and bolts that deals with any of these issues is the principle of natural justice. You have to be able to prove that somebody did something wrong, and if your investigators, you can license all the people that you want. You can take away their licence if they are not doing what they are supposed to be doing, but you have to prove it first. You have to prove it whether it is under The Business Practices Act or you are going to take away their licence or you are going to do a number of other things. We are reasonably satisfied today, and as I indicated earlier to the member for River Heights we are

interested in a principle, and the principle is reasonable work for a fair price.

That is in the best interest of the consumer in our view. We think the current tools are adequate. If they are not adequate, we will deal with those issues in the future, but I do not want to preclude, for instance, a number of people who do good work at reasonable prices from being able to be involved in it. That is what the renovation contractors want. They want to have only full-time, 100-percent contractors dealing with this thing. I do not want to tell the college student across the street that he cannot paint Mrs. Brown's house. I do not want to tell those people who are trying to supplement their income and get ahead in life by working some additional hours here and there and everywhere to do that kind of work as long as it is good work and at a reasonable price and they are not taking advantage of people. That is where the laws come in to protect the public.

**Mr. Maloway:** Madam Chairperson, one of the purposes of The Business Practices Act was to deal with advertising, I guess misleading advertising and so on, and one of the big areas for development under that section, I think, was a situation where you have travel agencies advertising dynamite packages at very low prices and they do not really exist, or at least they do not exist in the quantities that they should. That was something that the minister of the day touted as being a very positive part of this new package. I would like to know how many convictions you have under the advertising classification under the act.

\* (1130)

**Mr. Ernst:** The staff advises they do not have detailed information, but I can tell you that we monitor it ourselves. We do not act on a complaint basis. We monitor the stuff ourselves in the department as well as act on a complaint basis to determine if advertising is fraudulent or horribly misleading or that kind of thing. As a matter of fact as the result of complaints in another area we have discovered—I can think of one circumstance at the moment anyway—the refrigeration guy where it led to, you know, as part of the ongoing

investigation it turned out that the ad that he was running was in fact quite misleading. In many cases, too, what happens is somebody is reading—I guess maybe he is not aware or sitting on the fringe, if you will, of some of these practices, and usually a phone call from the department is sufficient to cause it to be ceased and desist. So in many cases that also occurs that simply somebody either is unaware or did not view it quite in that way as maybe other people would and so on—and a phone call and that is the end of it. So in that sense it does work well.

**Mr. Maloway:** Madam Chairperson, given the number of reprimands or convictions or actions or whatever number of actions that the department takes, what percentage would fall under the misleading advertising section versus renovation contractors? I mean what you have, you have gave us I believe, in the beginning, 71 convictions in total under the act, and I just wondered how that kind of breaks down on a percentage basis. Does it lump itself heavily into renovation activity or misleading advertising or where is the bulk of the problems?

**Mr. Ernst:** Madam Chair, we do not always measure success in numbers of convictions because, as I indicated earlier, very often a phone call is enough to have the practice stopped. However, the principal area where the convictions have arisen, of course, is in the door-to-door sales in the home renovation area. It may be that as part of an investigation you might get a misleading advertisement, but the charge is fraud and under the Criminal Code, and that is how you are proceeding into court. So we do not classify them internally with respect to many of those kinds of things.

As I indicated, because you have a number of tools, you also have a number of related activities that bring up a package of problems to deal with, and you proceed with the ones that are going to give you the maximum bang for your buck. In most cases, it is Criminal Code offences and that is how it is proceeded with.

**Mr. Maloway:** Madam Chair, I would like to ask the minister, given that each type of business has

its regular customers, I am sure your department is no different than any other business. There are a number of problem, habitual, I guess, abusers out there. I think you are probably aware of some of them, but one that keeps recurring constantly is Pricewise, and if you are not aware of it I would be surprised if you are not.

Under various names it has operated over the last dozen years, and I am wondering how you see, or how the department sees its role in being able to come to grips with the person. I know in other areas of society we are talking about issuing warnings and stuff like that to warn people about so-and-so's bad behaviour, and this particular person just seems to have an endless string of people that have been taken by him in various activities, from the old Golden Leaf Insurance and all its shares that were sold that did not exist. Then it is on to the alarm system business and, more recently, onto this gourmet menus and then computer franchises and then the latest one—I mean this has been going on for 10 solid years, and court documents show that he owes people a minimum of a half million dollars or more, and he just keeps on taking people.

I guess there is no law that can stop somebody like that, no matter what the laws. But I would like your comments on that, because this person and others keep showing up just year after year under different names and different forms so you have to be aware of them. They keep putting ads in the Free Press, and even the Free Press reporters who write the stories are surprised that they keep running ads. They never get paid for the ads either.

**Mr. Ernst:** Madam Chairperson, the member is quite correct. There are a few perennial problem people, some residents, some frequent visitors or occasional visitors to the province who vent their inappropriate activity on the people of Manitoba and then leave. Nonetheless, there are some perennials.

This particular one, we have two charges in court apparently on that at the present time.

The big problem of course is, and they full well know it, bless their black little hearts. What happens is they go from one business into another

business into another business into another business, and you have to track them and follow, and you have to prove. You have to have evidence, evidence that will be of sufficient nature to have a reasonable expectation of conviction in court. They know that, and they always kind of keep one step ahead.

Every once in a while they miss or they trip up or they forget something, and that is when you can grab them. Hopefully, that is where we are at, at this point, and we will be able to make something stick.

**Mr. Maloway:** Madam Chairperson, is the minister saying in this particular case that the department has some charges under The Business Practices Act against this person?

**Mr. Ernst:** No, they are Criminal Code charges.

**Madam Chairperson:** 2.(a) Consumers' Bureau (1) Salaries and Employee Benefits \$931,100—pass; (2) Other Expenditures \$214,600—pass.

2.(b) Residential Tenancies (1) Salaries and Employee Benefits.

**Mrs. Carstairs:** Madam Chairperson, we are just, in essence, getting up to speed on this particular new act. Can the minister tell us how it seems to be working to date and if it is, in fact, meeting all of the expectations that the department set for itself in the act as it came forward?

**Mr. Ernst:** Firstly, let me introduce Mr. Roger Barsy, the director of the Residential Tenancies branch, who is here with us today. I will get to the specifics of your question momentarily.

\* (1140)

In a word, things are working great. I think everybody's expectations are being met. Oh, there are little glitches and problems that occur from time to time, but by and large, I think the principle of the housing court, taking it out of the court system and putting it into that system has worked to the advantage of both landlords and tenants.

I guess maybe very often the measurement of this kind of activity is that if neither one of them is happy, then we must be doing a good job; because if you lean too far to the one side or too far to other, then you get one group really happy and the other

group unhappy. So we try and be fair and be reasonable and be expeditious in the process, and that is the whole kind of pretext of the matter, to keep it out of the court system into this commission business and it seems to be working quite well. I have had relatively few complaints myself. I think some people may not be happy but realize that they have had their opportunity to be in court or to be before a tribunal to state their case and sometimes you win, sometimes you do not.

**Mrs. Carstairs:** It is very difficult to put any finite judgment system on this kind of thing, but has there been any considerable reduction in time from the time that a tenant or in fact a landlord makes a complaint until it reaches the court till there is some settlement, whether they are happy with that or not, vis-à-vis the process they used to go through?

**Mr. Ernst:** The first avenue available to either landlord or tenant is mediation. So that really helps I think resolve an awful lot of cases before they ever need to get into the other processes involved, but overall we think anywhere from two to three months have been lopped off things like order for possession and some of the other activities that are necessary. We are reasonably happy with that, and it is a lot less effort and cost, too, I think, by and large.

**Mr. Maloway:** Madam Chairperson, I would like to ask the minister whether the number of complaints has actually reduced. The member for River Heights (Mrs. Carstairs) asked how it was going and your response was it was going pretty good, but you did not actually say whether the number of complaints has been reduced or whether it is still about the same.

**Mr. Ernst:** I can safely say that there has been a significant reduction in the overall area there, principally because of the change in the system. Before you had it compulsory to file everything; now we file only on the basis of complaints and those have been reduced.

People are becoming more aware of the system. They know what the rules are, and as you get more and more experience with that, you are going to get less and less problems. I think the last number of

statistics I saw was down by more than half, I believe, so there are significant reductions, and there will be more because as people get to understand the system—you know security deposit refunds, damages, stuff like that—overall, we are hopeful that the system will bring more people into harmony in dealing with these issues, and we do not have to deal with them on either a mediation or a tribunal basis.

**Mrs. Carstairs:** I have just one question here. The two Managerial positions under Residential Tenancies, there has been an increase in salary of 14 percent. Now I know that 3.5 percent is a figure for the normal per diems for increased experience, et cetera. How come this one is at 14 percent?

**Madam Chairperson:** Order, please. Could I just express one concern going beyond noon that the Clerk has identified to me? That is that the Order Paper is having to be produced manually, because of us sitting this morning, in order to compile the time, and if we go beyond noon, that will not afford them adequate time for any Order Papers this afternoon.

**Mr. Ernst:** I was right. Actually, the director's position was reclassified in the past year.

**Madam Chairperson:** Item 2.(b) Residential Tenancies (1) Salaries and Employee Benefits \$2,487,400—pass; (2) Other Expenditures \$686,600—pass.

Item 2.(c) Automobile Injury Compensation Appeals Commission.

**Mr. Maloway:** I am just concerned that we are going to run out of time on the Securities Commission. I did want to ask questions about the Bombay Bicycle, and I think maybe the member for River Heights (Mr. Carstairs) would want to ask a question or two about it as well, and we could spend all of our time on other things.

I guess I could just ask a quick question on the appeal. On the other hand, I guess I could leave it till the Autopac, you know, the committee hearings. All right, I will pass.

**Madam Chairperson:** Item 2.(c) Automobile Injury Compensation Appeals Commission (1)

Salaries and Employee Benefits \$612,700—pass; (2) Other Expenditures \$364,700—pass.

Item 2.(d) Grants \$91,500,

**Mr. Maloway:** I have a quick question on Grants.

If it is the two grants that we are referring to, I would like to know: In the grant that is given to the Consumers' Association, whether the information that they compile as a result of the grant is made available to the public, or does it have to be paid for by subscribers?

**Mr. Ernst:** It is provided free to the public.

\* (1150)

**Madam Chairperson:** Item 2.(d) Grants \$91,500—pass.

Resolution 5.2: RESOLVED that there be granted to Her Majesty a sum not exceeding \$5,388,600 for Consumer and Corporate Affairs, Consumer Affairs, for the fiscal year ending the 31st day of March, 1995.

Item 3. Corporate Affairs (a) Corporations Branch (1) Salaries and Employee Benefits.

**Mrs. Carstairs:** I just have one question. The minister knows that he and I have both been receiving considerable amounts of information about a co-operative which has some questions with regard—

**Mr. Ernst:** That is Co-operatives, this is Corporations.

**Mrs. Carstairs:** Yes, I know, but it comes under the Corporations Branch with regard to the rules of the director, so I think it does come under this particular branch. All I want to know from the minister and his staff is: Is there any investigation going on at the present time as to (1) the responsibilities of directors and (2) the access to information which directors can be given?

**Mr. Ernst:** Madam Chairperson, that is being handled under the Co-operatives branch by the director—the Registrar, I guess is his official title—and he is investigating that matter.

**Madam Chairperson:** Item 3.(a) Corporations Branch (1) Salaries and Employee Benefits \$955,000—pass; (2) Other Expenditures \$592,800—pass.

Item 3.(b) Insurance Branch (1) Salaries and Employee Benefits \$311,300—pass; (2) Other Expenditures \$114,200—pass.

Item 3.(c) Manitoba Securities Commission—

**Mr. Ernst:** I could introduce Mr. David Cheop who is the legal counsel for the Manitoba Securities Commission and who is here today.

**Mr. Maloway:** Madam Chairperson, I would like to ask the minister a couple of questions regarding Clancy's and the Securities Commission's role over the past year in that. I have received conflicting information from some of the participants, and I thought perhaps this was a good opportunity for the minister to be able to clarify who is right and who is wrong. Evidently Mr. Walko [phonetic] and people associated with that particular prospectus sent a letter to the Securities Commission back a year ago and claim they never got a response. That is their side of the story.

Then they claim they sent a second letter a month or so ago and then you did respond, and your response seems to be that you do not really see a role for yourselves in this. But there are a lot of people at various degrees of innocence in this, at least in their opinion, being left out in the cold here, and they see the Securities Commission as having let them down to some degree or another.

**Mr. Ernst:** I can advise the member that the Clancy's offering, firstly, was done under the limited offering exemption to The Securities Act. Now that exemption was established in 1986 in order to make it easier for small businesses to raise seed capital. They must sign a declaration that they are informed, sophisticated or related, understanding of the issues, and offerings under this exemption are not reviewed by, nor do they require the approval of, the commission. So small business exemption under which they can apply, they did. People say when they participate under this they are aware of what they are doing, they are not being fooled by anyone and so on, and they are sophisticated enough to understand that their money is at risk and that they are doing this for that particular reason.

With respect to the complaint lodged, the original letter that came in a year ago was

discussed with the sender of the letter verbally, and the person who conducted that discussion with the letter writer assumed that was the end of it—wrongfully so. He should have formalized it with a written reply and he did not do that. He subsequently left the employ of the department and so we had to kind of go and find him where he was and kind of resurrect what happened and so on, and that seems to be the essence of the matter.

**Mr. Maloway:** Madam Chairperson, so what the minister is saying is that this particular situation then was not, never did come out of the purview of the Securities Commission. So the people were making complaints to a body that really did not have jurisdiction in this case.

**Mr. Ernst:** The complaints primarily related to how it was being operated as opposed to what they are proposing to be investing in. We have never had, under the Securities Commission act, any power to deal with how somebody operates. If you want to operate your business in an inappropriate manner, I guess you are free to do that, subject to whatever end results will occur, but they related in large degree to the question of how that business is being operated, and that is not within the purview of the Securities Commission

**Mr. Maloway:** Madam Chairperson, if the minister reads the letter, he will see that they are talking about representations and so on that were made, not about operating of the business, but representations as to what they were getting for the money they were putting in.

The bottom line here, though, is the minister is telling me that this was exempted, that this particular situation was exempted out of their purview in the first place. So they were not covered under the Securities Commission. This is the first I have heard of it, Madam Chairperson. I mean, I have had representations from these people who have given me copies of the letter they sent, and they said they have had no response from the Securities Commissions, which seems surprising to me. Maybe they have not been told that this was not covered under their—

**Mr. Ernst:** The matter was explained from the telephone after the first letter, and unfortunately

there was not a follow-up written communication which should have been made and was not. However, since the matter has been resurrected, the commission has, in fact, written and explained the situation to the people making the inquiries so that they are aware, and essentially telling them what I have told you today.

**Madam Chairperson:** Item 3.(c) Manitoba Securities Commission (1) Salaries and Employee Benefits \$1,265,200—pass; (2) Other Expenditures \$285,900—pass.

Item 3.(d) Public Utilities Board (1) Salaries and Employee Benefits.

**Mrs. Carstairs:** Madam Chair, it is very clear that the Public Utilities Board is extending the amount of activity that it is engaged in because some of the things coming before the PUB are taking longer and longer and longer. Application for Centra Gas, for example, was almost, I think, if I am not mistaken, some six weeks last fall in terms of the amount of time required by the Public Utilities Board for sittings.

There seems to be a sense that there is no cost involved to the consumer. Of course, there is a cost involved to the consumer because all of the costs for Centra or Manitoba Hydro or whatever are passed on in the rates that are ultimately set to those organizations. Is there any concern in this department about the amount of time and the litigious nature, I would suggest, of what has now happened to the Public Utilities Board?

\* (1200)

**Mr. Ernst:** Madam Chairperson, yes, there is significant concern that just because the utilities or the applicants have to pay the full costs does not mean it should be a gravy train for a number of other people. The interests of the public need to be served, but they do not necessarily need to be served by hugely contentious technical kinds of things that keep getting raised as more and more professionals become involved and are looking obviously to earn money as a result of their testimony.

The commission chairman and I have had that discussion, as a matter of fact last week, and I have asked him—it is always difficult, you have sort of

ministerial responsibility but no jurisdiction. But I have asked him, I said, look, this is getting ridiculous and let us look at making some changes. I do not want to cause anybody to not have an opportunity, but at the same time, let us not make it a million-dollar industry.

**Mr. Maloway:** The member for River Heights (Mrs. Carstairs) was a little ahead of me on that one, because I wanted to ask that question too in more or less the same form.

What sort of things is the minister thinking in terms of making changes, and what sort of changes does he want to make to the PUB process? I agree that it should be looked at.

**Mr. Ernst:** It is not so much the legislation as it is practice, and I have raised that issue with the chair. I do not have any preconceived ideas other than the fact that I think it is getting way beyond where it ought to be just in general terms.

I have said to the chairperson, go back to your board, look at your procedures and see where the line falls between the interests of the consumers, the interests of the applicant and where your costs lie, and let us look at it on a reasonable basis and take it from there.

So the chair is going to look at that, and he will be back with recommendations, proposals if you will. I mean, the board has to decide themselves. I do not have any jurisdiction over the board. I cannot tell them to do this or do that. The board is there to follow the legislation, do the job. I have asked them to look at their practices to try and rein in some of their costs and extraneous kind of activities that go on.

**Mr. Maloway:** What sort of time frame has the minister given the board to come up with these solutions?

**Mr. Ernst:** PDQ.

**Mr. Maloway:** Madam Chairperson, people have said, the ministers in the past have said this and they have not gone through with it. What I would like to know is, you want it PDQ, but when is PDQ?

For the Minister of Education and Training (Mr. Manness), PDQ could be years, and has been years

for questions that we have asked him. Can you give me a date?

**Mr. Ernst:** It is my hope that the chair will be back with proposals for my information by September. Again, I have to emphasize that I cannot tell him what to do, and I cannot tell the board how to run their operations, so it is kind of a fine line that I have to walk. As a member of the government, I am encouraging them; on the other hand, they have to do it within their jurisdiction.

**Madam Chairperson:** Item 3. Corporate Affairs (d) Public Utilities Board (1) Salaries and Employee Benefits \$782,500—pass; (2) Other Expenditures \$1,282,500—pass.

Item 3.(e) Trust and Loan Branch (1) Salaries and Employee Benefits \$220,300—pass; (2) Other Expenditures \$107,900—pass.

Item 3.(f) Cooperative and Credit Union Regulation (1) Salaries and Employee Benefits \$423,200.

**Mrs. Carstairs:** I just have one question. Is it possible for me to be given some information, after the director has investigated the case, with respect to the co-operative in Brandon?

**Mr. Ernst:** I do not see any reason why not, unless there is some legal impediment or something that might prevent that.

**Madam Chairperson:** Item 3. Corporate Affairs (f) Cooperative and Credit Union Regulation (1)

Salaries and Employee Benefits \$423,200—pass; (2) Other Expenditures \$85,000—pass.

Resolution 5.3: RESOLVED that there be granted to Her Majesty a sum not exceeding \$6,425,800 for Consumer and Corporate Affairs, Corporate Affairs, for the fiscal year ending the 31st day of March, 1995.

At this time, we would ask that the minister's staff please leave the Chamber so that we may deal with item 1.(a).

Item 1.(a) Minister's Salary \$20,600—pass.

Resolution 5.1: RESOLVED that there be granted to Her Majesty a sum not exceeding \$1,018,100 for Consumer and Corporate Affairs, Administration and Finance, for the fiscal year ending the 31st day of March, 1995.

This concludes the Estimates for the Department of Consumer and Corporate Affairs. Committee rise.

Call in the Speaker.

#### IN SESSION

**Madam Deputy Speaker (Louise Dacquay):** As previously agreed, the hour being after twelve noon, this House is adjourned and stands adjourned until 1:30 p.m.



# LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, June 23, 1994

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