

First Session – Forty-First Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Social and Economic Development

Chairperson
Mr. Dennis Smook
Constituency of La Verendrye

Vol. LXIX No. 1 - 6 p.m., Tuesday, October 18, 2016

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-First Legislature

Member	Constituency	Political Affiliation
ALLUM, James	Fort Garry-Riverview	NDP
ALTEMEYER, Rob	Wolseley	NDP
BINDLE, Kelly	Thompson	PC
CHIEF, Kevin	Point Douglas	NDP
CLARKE, Eileen, Hon.	Agassiz	PC
COX, Cathy, Hon.	River East	PC
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GOERTZEN, Kelvin, Hon.	Steinbach	PC
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ISLEIFSON, Len	Brandon East	PC
JOHNSON, Derek	Interlake	PC
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KINEW, Wab	Fort Rouge	NDP
KLASSEN, Judy	Kewatinook	Lib.
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LAGIMODIERE, Alan	Selkirk	PC
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON SOCIAL AND ECONOMIC DEVELOPMENT

Tuesday, October 18, 2016

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Dennis Smook
(La Verendrye)

VICE-CHAIRPERSON – Mr. Reg Helwer
(Brandon West)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Messrs. Fletcher, Friesen

*Messrs. Allum, Curry, Helwer, Isleifson,
 Johnson, Mses. Klassen, Lathlin, Messrs. Smook,
 Wiebe*

PUBLIC PRESENTERS:

*Bill 10–The Balanced Budget, Fiscal
 Management and Taxpayer Accountability
 Repeal and Consequential Amendments Act*

*Mr. Josh Brandon, Social Planning Council of
 Winnipeg.*

MATTERS UNDER CONSIDERATION:

*Bill 6–The Financial Administration Amendment
 Act*

*Bill 10–The Balanced Budget, Fiscal
 Management and Taxpayer Accountability
 Repeal and Consequential Amendments Act*

* * *

Clerk Assistant (Mr. Andrea Signorelli): Good evening. Will the standing committee of Social and Economic Development please come to order.

Before the committee can proceed with the business before it, it must elect a new Chairperson.

Are there any nominations for this position?

Mr. Reg Helwer (Brandon West): I nominate the MLA for La Verendrye, Mr. Smook.

Clerk Assistant: Mr. Smook has been nominated. Are there any other nominations?

Hearing no other nominations, Mr. Smook, will you please take the chair?

Mr. Chairperson: Good evening. Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

Mr. Len Isleifson (Brandon East): Mr. Chair, I would nominate Mr. Helwer.

Mr. Chairperson: Mr. Helwer has been nominated. Are there any other nominations?

Hearing no other nominations, Mr. Helwer is 'lectered'–elected Vice-Chairperson.

This meeting has been called to consider the following bills: Bill 6, The Financial Administration Amendment Act; Bill 10, The Balanced Budget, Fiscal Management and Taxpayer Accountability Repeal and Consequential Amendments Act.

We have one presenter registered to speak tonight, as noted on the list of presenters before you.

How long does this committee wish to sit this evening?

Mr. Matt Wiebe (Concordia): I'll suggest that we sit until we've had an opportunity to hear from any members of the public like to present and the work of the committee is otherwise completed.

Mr. Chairperson: Everybody agree to that?
[Agreed]

Before we proceed with presentations, we do have a number of other items and points of information to consider. First of all, if there is anyone else in the audience who would like to make a presentation this evening, please register with the staff at the entrance of the room. Also, for the information of all presenters, while written versions of presentations are not required, if you are going to accompany your presentation with written materials, we ask that you provide 20 copies. If you need help with photocopying, please speak with our staff.

As well, in accordance with our rules, a limit–a time limit of 10 minutes has been allotted for presentations, with another five minutes allowed for questions from committee members. If a presenter is not in attendance when their name is called, they will be dropped to the bottom of the list. If the presenter is not in attendance when their name is called a

second time, they will be removed from the presenters' list.

Prior to proceeding with public presentations, I would like to advise members of the public regarding the process for speaking in committee. The proceedings of our meeting are recorded in order to provide a verbatim transcript; each time someone wishes to speak, whether it be an MLA or a presenter, I first have to say the person's name. This is the signal for Hansard recorder to turn the mics on and off.

Thank you for your patience. We will now proceed with public presentations.

Bill 10—The Balanced Budget, Fiscal Management and Taxpayer Accountability Repeal and Consequential Amendments Act

Mr. Chairperson: Regarding Bill 10, The Balanced Budget, Fiscal Management and Taxpayer Accountability Repeal and Consequential Amendments Act, we call Josh Brandon.

Do you have any written materials for distribution to the committee?

Mr. Josh Brandon (Social Planning Council of Winnipeg): I do and they're being distributed right now.

Mr. Chairperson: Please proceed with your presentation.

Mr. Brandon: Thank you, Chair, and Minister Friesen and all the MLAs of the committee. Thanks for the opportunity to present on the proposed Balanced Budget, Fiscal Management and Taxpayer Accountability Repeal and Consequential Amendments Act.

On behalf of Social Planning Council of Winnipeg, I'd like to present our support for this legislation. Social Planning Council of Winnipeg has a long record working to promote a caring, just, sustainable and equitable community. We work with community organizations and networks on critical issues like poverty, homelessness, immigration and justice. Since 1919 we've provided community organizations across Winnipeg with public policy research and capacity-building support to allow them to provide essential social and community services.

* (18:20)

There are two aspects of the legislation for which we speak and support. One, eliminating the requirement that the province post an annual budget in either surplus or in balance; and eliminating the

requirement for a referendum on tax increases. Both these conditions restrict the ability of government to operate effectively. They lead to poor governing decisions.

Over 20 years of balanced budget legislation, it has been people in the lowest income groups who have often borne the brunt of service reductions that have sometimes been a result of this legislation. We commend your government for repealing it and we offer our recommendation not to replace it with any similar legislation.

For organizations providing services to people living in poverty, balanced budget legislation introduces inflexibility and increases uncertainty often at times when their services are most needed, such as during market downturns. Balanced budget legislation passes off financial risk to those living most precariously at the edge of the economy.

Manitoba's balanced budget legislation was introduced in 1995. At that time Manitoba introduced its first balanced budget in 22 years. While this balance was celebrated by the government of the day, it's important to remember it was achieved at great hardship to the poorest Manitobans. There were widespread cuts to community organizations, Indian and Metis Friendship Centres, justice and anti-poverty groups. Meanwhile, the incomes of people living on EIA dropped even as rent and other living costs climbed. And I've provided a chart on the opposite page showing that trajectory over that time. And it's important to note that even today we haven't reached the level of EIA that people were receiving before balanced budget legislation was first implemented.

In almost 20 years of Manitoba's balanced budget legislation, it's notable that while provincial governments have set targets for deficit reduction, they have not set targets for the reduction of poverty. Over the past 20 years EIA rates have remained critically low, even with the introduction of rent assist in 2015. Manitobans on General Assistance have total incomes, only 53 per cent of the Market Basket Measure of poverty. Child poverty, both on and off reserve—when both on- and off-reserve levels are included, remained at the highest level of any province, according to the Campaign 2000 report based on 2013 data. When communities demand more support, we are too often told that the budget does not allow it.

Deficit financing should be seen as one tool in government's toolkit for managing the economy, one

that should not be over-relied on, but one which is indispensable under certain circumstances. Balancing the budget should not be seen as an end in itself, but rather we must use whatever tools work to build an economy that benefits all citizens, increasing equity and justice.

Another part of the act being repealed involves the requirement to call a referendum before introducing a tax increase. This requirement is bad policy; it prevents governments from developing tax policy that meets the needs of citizens. Referenda are blunt instruments for gauging public policy. They oversimplify what are often complex issues. Recent experiences in other countries, including the Brexit referendum, the Colombian peace accord, as well as experiences across Canada, such as the Charlottetown Accord, election reform or transit taxes show how too often referenda devolve into plebiscites on general government performance rather than on the specific question being asked.

The referendum requirements also promotes erratic and ineffective revenue raising strategies. It encourages governments to choose tax instruments not based on what makes most economic sense, but rather on political expediency so as not to trigger the referendum requirement.

Rather than gradual adjustments to tax rates, this policy promotes long freezes in tax rates followed by sharp increases when adjustment can no longer be postponed and rates can no longer be sustained.

To achieve meaningful results in poverty reduction, new sources of revenue will be required. We have the resources in Manitoba to address poverty, but to do so government must show leadership. We elect governments to set goals and targets, and to follow through on meeting them by raising and effectively allocating the necessary resources for achieving them. To pass off this responsibility through referenda denies the opportunity for real accountability in government.

Balanced budget legislation is a bad idea from a past era that has served its time. We hope that all parties unite in seeing it repealed.

Thanks.

Mr. Chairperson: Mr. Brandon, we thank you for your presentation. The members of the committee have questions for the presenter.

Hon. Cameron Friesen (Minister of Finance): Thanks, Mr. Brandon, for being here this evening to present. I value your opinion and respect

your opinion. Thanks also for being yesterday at the first public consultation meeting that we had in Winnipeg.

I want to correct one thing for the record, of course, and just signal, of course, that the reason we are introducing this legislation that in effect eliminates the requirements you talked about is that we plan to actually introduce new legislation. And this is part one of part two, the part two being the introduction of a new legislation that would essentially provide taxpayers the protections we think, and the accountability we think, would be afforded to them with new legislation.

But you did talk about risks and bad public policy, and I wanted just to ask you one question pertaining to debt service charges. One thing we are cautious about and concerned about is the increase of the annual debt-service charges in the province of Manitoba when I think about what we could accomplish as a province in terms of notable investments and front-line services, I think about the \$850 million a year that we right now use just to service the deficit, or to service that debt in annual payment. That is up \$30 million from just a year ago. Would you also say that is a—would you agree or disagree that that raises concerns as well for a government who's making hard choices about investments?

Mr. Brandon: Debt-servicing costs are one element the government needs to consider and balance with other elements. My understanding is that Manitoba's current debt-to-GDP ratio is about normal among provinces; that's actually better than a lot of other provinces in Canada, hovering around 30 per cent. It went up a little bit the last couple of years, but it's nowhere near the levels of a lot of countries that we've seen that have gone into deep debt crisis problems.

So I think it's important to remember that at times, we may want to balance the budget. It's important when times are good and the economy can sustain that to balance the budget, run a surplus. But to tie up government with unnecessary regulations that put in requirements on referendums and require balanced budgets doesn't lead to fiscal responsibility; it leads to erratic strategies that aren't sustainable in the long run.

Mr. James Allum (Fort Garry-Riverview): Mr. Brandon, we're very pleased that you're here tonight, and the Social Planning Council is a historic organization in our community in fighting for social

justice. So we greatly appreciate your presence here to comment on this legislation.

Would the Social Planning Council support the minister's notion that they're going to have replacement legislation both on balanced budget and on a referendum? *[interjection]*

Mr. Chairperson: Mr. Brandon.

Mr. Brandon: We do not support replacement legislation that would require a balanced budget or a referendum for tax increases.

Mr. Allum: Thank you. So could you articulate a few of the reasons why that would be so?

Mr. Brandon: Thanks. I'm getting the hang of this.

Well, you know, if you look at experiences across Canada, we've had a lot of experiences with referendums in Canada. Very seldom do they pass, because they're complicated questions. It ignites a lot of emotion, and people get caught up in whether or not they support a particular government; people have a lot of reasons for voting no to a referendum. What we need from government is to show leadership and to say, this is a policy that we're trying to achieve. These are the results that we hope it will achieve, and to be held accountable to that on election day, because citizens do have the opportunity to hold governments to account, and we've done so for 140 years here in Manitoba and we've a long tradition of that.

* (18:30)

If we don't have sufficient revenues to meet essential goals like ending poverty, then that can be a real challenge. And there's long-term implications for that. We see investing in poverty reduction as a long-term investment. There's a huge deficit that we have in a lot of areas: in public health, in education, in poverty reduction, in housing. And we have to balance those deficits with the fiscal deficit and make sure that we balance those different aspects of public policy equitably. And I don't think that a balanced budget legislation does that properly.

Mr. Chairperson: Time for questions has expired.

That concludes the list of presenters I have before me. Are there any other persons in attendance who wish to make a presentation?

Seeing none, that concludes public presentations.

* * *

Mr. Chairperson: In what order does the committee wish to proceed with clause-by-clause consideration of these bills?

Mr. Allum: In the order that they're on the agenda, Mr. Chair.

Mr. Chairperson: Everyone in favour of that? *[Agreed]*

Then that's how we will proceed.

Bill 6—The Financial Administration Amendment Act

Mr. Chairperson: Does the minister responsible for Bill 6 have an opening statement?

Hon. Cameron Friesen (Minister of Finance): In 1995 in the province of Manitoba, balanced budget legislation was introduced, and at that time it was expected to accomplish a number of things. It was expected to provide assurances to taxpayers that major taxes inclusive of income tax and sales tax and the health and education tax levy could not be increased unilaterally by government without consultation of the public and that consultation would be coming in the form of a referendum. Furthermore, the legislation provided that there be balanced budgets beginning in a certain year and continuing and setting out realistic penalties for governments who did not make it to their targets. It also included a realistic plan to repay the debt without increasing taxes.

We all know in this province that we wouldn't be having this committee this evening if the legislation had been effective and had been respected by all governments thereafter. But we know that there were a number of changes that were made over the years since that legislation was first introduced, and the changes that were made were not ones that strengthened the intent of the bill. Rather, they watered down that intent. Changes included things like reporting the method by which government was reporting on an annual basis. There were changes made to the requirement to balance the budget moving from an annual basis to a rolling average over a four-year basis. In addition to that, there were changes made that suspended the required payments into the Fiscal Stabilization Account for a period of time identified as the period of economic global recovery. And then that period was extended even further. There was a suspension of the penalties for ministers in the event of non-compliance in respect of their budgetary appropriations.

And so over time what happened, of course, is that essentially, the language of the bill was changed and the intent of the bill was significantly changed. And it was the opinion of our government after winning the election on April the 19th that the old legislation was rendered ineffective through the exceptions and the amendments that had been brought. So we contemplated our actions. We contemplated to the extent to which changes could be made to the existing legislation. It was our decision that, rather than try to address the situation with an existing piece of legislation, we would instead move in a process to introduce new legislation, a two-step process.

The first would be, of course, through this particular bill to basically repeal the existing legislation that is on the books and signal in the strongest terms that it is—it will be the effort of this new government to introduce new legislation to provide strong protections to Manitobans in respect of the tax hikes and setting out real and meaningful consequences, penalties, for government. We contemplate that they would—those changes in a new piece of legislation would have to reflect a path back to balance and it would have to reflect a path ensuing from balance to make sure that governments did not quickly lose their enthusiasm for balanced budgets.

So, on that basis, we are pleased this evening to be able to have The Balanced Budget, Fiscal Management and Taxpayer Accountability Repeal and Consequential Amendments Act here before committee. The Province's finances at this time obviously make tabling a balanced budget unrealistic. The current budget deficit for, well, for '15-16 fiscal year was just recently reported at the Public Accounts as being \$846 million. So there is a significant challenge facing this province. We believe that the path forward does not lie in tax hikes. We believe that the path forward relies on government recognizing that it has a responsibility to its citizens to meet its targets, to move in the right direction and to make sure that it then has the resources available through that hard work to be able to invest in the services that we all rely on.

So we look forward to this bill and the discussion that will happen tonight. And we look forward to the bill continuing at the third reading stage.

Bill 10—The Balanced Budget, Fiscal Management and Taxpayer Accountability Repeal and Consequential Amendments Act
(Continued)

Mr. Chairperson: Is there leave of the committee to consider Bill 10 before moving back to Bill 6? [Agreed]

Does the critic from the official opposition have an opening statement?

Mr. James Allum (Fort Garry-Riverview): I do, Mr. Chair.

This is on Bill 10, I'll make clear. And, first of all, I want to reiterate our thanks to Mr. Brandon for coming in tonight and making a presentation on Bill 10. As I said, the Social Planning Council is a very important organization in our community and has been for many, many years. And it's hard to imagine what we would do without them.

It's been said before, Mr. Chair, and, but I'll say it again, it's more than just a little ironic that the government that introduced this kind of legislation is now the ones in a position to repeal it. And, despite the Finance Minister's attempts to explain away why he needs to do that, I think he knows in his heart of hearts that balanced budget legislation has proven to be impractical and, as Mr. Brandon just made clear, also quite unjust.

Does—by repealing this bill, though, Mr. Chair, there are some consequences that we do want to draw to the committee's attention. One, of course, by simply—one of which is by simply suspending the bill and then repealing it. It put himself, the Finance Minister, the Premier (Mr. Pallister) and all of the Cabinet ministers in a position to give themselves a raise at the very time that they refused to give Manitobans an increase to the minimum wage. As you know, Mr. Chair, our party has found that particular contrast a little hard to swallow. And so it was worth, for us, putting it back on the record.

A second point we would want to make on it is that the bill removes the government's obligation to design a five-year core infrastructure plan and present that to the Legislative Assembly. Manitobans are quite concerned about the state of infrastructure, as we all know. They're also quite concerned whether the new government is committed to investing in infrastructure, not only to improve our schools and roads and hospitals and bridges, but to create good jobs for Manitobans for years to come.

* (18:40)

And then, finally, Mr. Chair, we would also want to point out that we had, on our side, a plan for how we would review and—the balanced budget legislation. We had engaged the services of David Dodge, former governor of the Bank of Canada, hardly a New Democrat, to review this act as an experienced, impartial and respected outsider from Manitoba. He would have taken the time to review this act in its entirety, consult with Manitobans on every aspect of the economy before providing his report.

We know—we know—that budget documents are important for any number of financial, social, environmental points of view. We thought it was right for—to take someone of the stature in Canada of Mr. Dodge to provide an impartial view of the way forward, and it is our great disappointment that the new government of Manitoba simply refused out of hand to engage Mr. Dodge, secondly, to put this bill forward without having mentioned it in the election, without having consulted with Manitobans about it.

And so, from our point of view, we're not looking to get in the way of this particular piece of legislation, but we put the Finance Minister on notice that we'll be engaged with any new bill that proposes to put a balanced budget legislation before Manitobans and a requirement for a referendum that he knows that the court has ruled is not binding on the government of Manitoba. It's merely advisory. And for that reason we don't support his going down that path once again.

Thank you.

Mr. Chairperson: We thank the member for his statement.

During the consideration of a bill, the preamble, the enacting clause and the title are postponed until all other clauses have been considered in their proper order. Also, if there's an agreement from the committee, the Chair will cause—will call clauses in blocks that conform to pages with the understanding that we will stop at any particular clause or clauses where members may have comments, questions or amendments to propose. Is that agreed? *[Agreed]*

We will now proceed to clause-by-clause consideration of the bills.

Bill 10, clause by clause.

Clauses 1 and 2—pass. clause 3—pass; enacting clause—pass; title—pass. Bill be reported.

**Bill 6—The Financial Administration
Amendment Act**
(Continued)

Mr. Chairperson: Does the minister responsible for Bill 6 have an opening statement?

An Honourable Member: I do.

Mr. Chairperson: The Honourable Mr. Friesen.

Hon. Cameron Friesen (Minister of Finance): I am pleased to give an opening statement on Bill 6 this evening, The Financial Administration Amendment Act.

When our new government was installed in Cabinet, ministers took their places. It was the decision of our Premier (Mr. Pallister) to move and lead by example and reduce the size of Cabinet from 18 members where the NDP previous administration had the number of members, reducing that number to 12. That was an important step. It was—it allowed for the natural realignment of ministerial responsibilities. Of course, there is that work that comes with realigning the appropriations, and that's difficult and important work that's undertaken, of course, by our department. But it's also work that signalled that this government was willing to lead by example, that we were talking about issues pertaining to efficiency and effectiveness and economy in government but prepared not just to talk the talk but also to walk the walk.

So the signal from the very beginning was that we were willing to do the work to reduce the footprint of government. And, of course, along with the reduction of 18 to 12 ministers comes savings as a result through that realignment, through the reduction of the number of deputy ministers and supporting staff and offices and all the other considerations that come along with that.

As a result of that important and 'meritous' step taken by our government in the early days, it, of course, puts very practical challenges forward in respect of the composition of key committees of Cabinet, including the Treasury Board.

We recognize, as a new government, that we need to have a variety; we need to have diversity and we need to have that perspective on our Cabinet committees. And so from the very beginning, when we chose—when the Premier chose members of the

Treasury Board, we included in that composition of that committee members who were not ministers.

Now, of course, that is a—that would be a departure from previous practice, but it did allow us not only to make better use of an expanded caucus group representing a diverse number of business backgrounds and occupational backgrounds and walks of life previous to coming into this role, but it also allowed us to share that workload more effectively with that reduced size of Cabinet.

I would submit for all Manitobans that they have been well served by the Treasury Board group that is currently working in that capacity, the ministers as well as the member for Brandon West (Mr. Helwer), who is an experienced businessperson and entrepreneur and community builder in the city of Brandon.

I would submit that the Treasury Board has been well served by the inclusion in that group, more recently, of Minister Stefanson, who has navigated some of the most complicated files facing our government in the first half of a year in office, and comes to us with a wealth of knowledge and background, and I would submit that we are well-served as a province by the inclusion in that group by the new member for St. Vital (Mrs. Mayer), who brings with her extensive board experience and dealings with business owners in her previous capacity as the executive director at Old St. Vital Biz.

Nevertheless, these members on Treasury Board, who are not ministers, are not there with a—as full members. They do not have voting capacity, and so this bill that we bring now, The Financial Administration Amendment Act, would address that. Basically, the bill would allow for the membership of Treasury Board not to be limited to ministers, but it permits the members of a caucus, then, to be full and acting members on Treasury Board, subject to the same conditions and able to participate fully.

So I believe this is a measure that will strengthen the Treasury Board. It is a measure that will serve all Manitobans, and we look forward to the discussion that will ensue tonight and we look forward to a third reading of this bill when it occurs.

Mr. Chairperson: We thank the minister for his statement.

Does the critic from the official opposition have an opening statement?

Mr. James Allum (Fort Garry-Riverview): I do, Mr. Chair.

We don't have any particular feelings about this bill one way or another except to point out two things: One is we believe it to be, frankly, unnecessary, and I can say from my own experience that after I was elected in 2011 at the same time as the Finance Minister and my friend from Brandon West, I did attend Treasury Board, as did other members. We had non-voting rights. We were there as participants. We were able to speak freely. We would give our advice and our observations.

In a sense this is really not necessary, but the government made this necessary, and context is important, and we want to just note for the record, context is important. When Treasury Board, under the new government, was first established, the Premier (Mr. Pallister) was criticized and rightly criticized for Treasury Board's absence of diversity on the board.

As an afterthought sometime later, the Attorney General (Mrs. Stefanson) admittedly, I think, two months later, sometime in August—three months later, was added to Treasury Board, and then we end up here, in committee, looking at a legislation which is, frankly, designed to save face for a government that made some significant mistakes in this regard in not reflecting the real face of Manitoba, the diversity of Manitoba.

And so we wanted to make sure that was clearly put on the record but, as I say, this is something that, in the final analysis, Mr. Chair, merely reflects the minimalist agenda of the government. If this is their most pressing concern, we know that—and the people of Manitoba know—that there are significant, critical issues that need to be addressed. And we would like to see those addressed immediately.

And so, with that, I'll conclude my remarks.

Mr. Chairperson: We thank the member for his statement.

Clauses 1 and 2—pass; clause 3—pass; enacting clause—pass; title—pass. Bill be reported.

The hour being 6:52, what is the will of the committee?

Some Honourable Members: Rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 6:52 p.m.

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